A8195-2F 4/86

Occasional Paper No. 11
The National Regulatory Research Institute
The Ohio State University

TRENDS REPORT OF ENERGY ASSISTANCE PROGRAMS IN THE FIFTY STATES, 1979-1984

By
Jean H. Standish
Vonna M. McDonald
Robert R. Myers
and
David C. Sweet

DECEMBER 1985

TRENDS REPORT OF ENERGY ASSISTANCE PROGRAMS IN THE FIFTY STATES, 1979-1984

Dear Reader:

As a part of our ongoing effort to assess the usefulness of our studies and reports to the regulatory community, we have included this evaluation card for your possible use.

Please complete the card, detach, and mail it (free, self-addressed).

1. Was the information contained in the report clearly presented and in a useful format?

2. If the report was helpful to you in your regulatory work, please check the appropriate box(es).

   Report provided additional background information. ☐

   Report provided a new technique for addressing a regulatory issue or problem. ☐

   Report was used in a regulatory proceeding or in preparing material for such a proceeding. ☐

   Other ____________________

3. Additional comments about report. ____________________

   ____

4. Please list particular issues or areas for future research by NRRI which you would find useful.

   ____

   ____

5. Did you send for this report?

6. Respondent information:

   Name (optional) ____________________

   Position ____________________

   Organization or Affiliation (optional) ____________________

FOLD HERE

FOLD HERE

OSU
The Ohio State University

The National Regulatory
Research Institute
2130 Neil Ave.
Columbus, Ohio 43210
717611

No postage
necessary
if mailed
in the
United States

BUSINESS REPLY MAIL
First Class Permit Number 184 Columbus, Ohio

Postage will be paid by addressee

The Ohio State University
2500 Kenny Road
Columbus, Ohio 43272-9983

85-18

OCCASIONAL PAPER NO. 11

TRENDS REPORT OF ENERGY ASSISTANCE PROGRAMS IN THE FIFTY STATES, 1979 - 1984

The National Regulatory Research Institute
2130 Neil Avenue
Columbus, Ohio 43210

By

Jean H. Standish, Project Director

Vonna M. McDonald, Research Consultant

Robert R. Myers, Research Assistant

and

David C. Sweet, Dean
College of Urban Affairs

Cleveland State University
Cleveland, Ohio

DECEMBER 1985

FOREWORD

From time to time NRRI publishes in its Occasional Paper series studies or reports done by others that deserve widespread dissemination among our clientele. Such a report is the present one on trends in energy assistance programs in the fifty states and the District of Columbia. It compares the results of three surveys on the subject in 1979, 1981, and 1984 from the viewpoint of policy. (The report is drawn from basic data contained in a larger volume which can be secured from Cleveland State University.) It was initially contracted for by the State of Ohio Public Utilities Commission and done at the Energy Program of the College of Urban Affairs, Cleveland State University.

As stated by the authors,

> The motivating assumption of this project is that states can learn from each other and, in doing so, improve upon the energy assistance programs implemented during the past decade. State utility regulators, legislators, energy offices and social service agencies are in a critical position for dealing effectively with the problems the poor face with increasing energy bills. The wide range of state government initiatives described in this report reflect the many innovative programs now in place.

We appreciate the willingness of Chairman Thomas Chema of the PUCO to making this national research product available to the rest of the regulatory community. The views and opinions of the authors do not necessarily state or reflect the views, opinions, or policies of the NRRI, the NARUC, or NARUC member commissions.

Douglas N. Jones
Director, NRRI
Columbus, Ohio

December 1985

ACKNOWLEDGEMENTS

State officials numbering in the hundreds made this report possible. During the course of the three survey years -- 1979, 1982 and 1984 -- people at the state level have generously shared their time and expertise with the project staff.

What is generally known about energy assistance programs has been updated and enhanced because of the support given by the State of Ohio Public Utilities Commission.

Kathryn Wertheim Hexter of the East Ohio Gas Company deserves special thanks for her comments. The typing and editing was efficiently accomplished by Caroline D. Edge.

Table of Contents

PAGE

INTRODUCTION 1

CHAPTER 1: Policy Options 6

CHAPTER 2: Program Options 10

CHAPTER 3: State Trends in Energy Assistance. 46

CHAPTER 4: The Future of Energy Assistance. 73

Appendices 80

Selected References. 80

Publications 85

Table of Tables

TABLE 1: State Energy Assistance Strategies For Selected States, 1984 2

TABLE 2: Documented Federal and State Energy Assistance Funding Levels, By Source and Type, 1984 3

TABLE 1-1: Stakeholders in Energy Assistance Program Strategies 6

TABLE 1-2: Energy Assistance Objectives and Strategies 8

TABLE 1-3: Major Energy Assistance Program Types 9

TABLE 1-4: Examples of Funding Sources 9

TABLE 2-1: Total LIHEAP Funding by Source, 1984. 12

TABLE 2-2: Total LIHEAP Benefits, FY 1984. 12

TABLE 2-3: State LIHEAP Transfers. 13

TABLE 2-4: States with No LIHEAP Transfers to Other Block Grants (Excluding Weatherization). 14

TABLE 2-5: States Transferring Over 12% of LIHEAP to Weatherization Programs, 1984. 14

PAGE

TABLE 2-6: States with Categorical LIHEAP Eligibility Criteria, 1984 Percent of Administrative Costs 15

TABLE 2-7: States with Oil Overcharge Funds Supplementing LIHEAP 16

TABLE 2-8: LIHEAP Basic Heating Program Funding Level, FY 1984 17

TABLE 2-9: States with LIHEAP Income Eligibility at 150% of OMB Guidelines or 60% of State Median Income 17

TABLE 2-10: LIHEAP Crisis Heating Program Benefit Level, FY 1984 19

TABLE 2-11: LIHEAP Cooling Benefits Funding Level, FY 1984 20

TABLE 2-12: State Funded Direct Aid Energy Programs, FY 1984 22

TABLE 2-13: States Participating in the DOE Weatherization Assistance Program, FY 1984 25

TABLE 2-14: States Which Supplemented Their Weatherization Assistance Program During FY 1984 27

TABLE 2-15: States Offering Low Cost/No Cost Weatherization Programs During FY 1984 29

TABLE 2-16: States Offering Major Repair Programs During FY 1984 30

TABLE 2-17: States Offering Furnace Retrofit or Furnace Tune-Up Programs During FY 1984 31

TABLE 2-18: HUD Solar Energy and Energy Conservation Bank, FY 1984 32

TABLE 2-19: States with HUD Bank Matching Grant Programs, FY 1984 33

TABLE 2-20: States That Supplemented HUD Bank and Matching Grants, FY 1984 33

TABLE 2-21: State Funded Conservation Loan Programs, FY 1984 34

TABLE 2-22: States Offering Residential and Multi-Family Conservation Loan Subsidies, FY 1984 36

TABLE 2-23: 1984 State Conservation Tax Credit Programs 37

TABLE 2-24: States With Strong Utility Weatherization/Conservation Programs 40

TABLE 2-25: States with Special Rates, By Type, 1984 42

PAGE

TABLE 3-1: Comparison of State Energy Assistance Programs, 1979, 1981 and 1984 46

TABLE 3-2: Direct Aid Programs Total State Funding Levels, 1979, 1981 and 1984 48

TABLE 3-3: State Funded Direct Assistance Programs By Type, FY 1979, 1981, 1984 48

TABLE 3-4: Direct Aid Eligibility Criteria Comparison State Programs -- 1979, 1981, 1984 49

TABLE 3-5: Federal Appropriation Level for Low Income Energy Assistance, 1981-1986 50

TABLE 3-6: FY 1979 State Funded Direct Aid Program Components 51

TABLE 3-7: FY 1981 State Funded Direct Aid Program Components 53

TABLE 3-8: FY 1984 State Funded Direct Aid Program Components 55

TABLE 3-9: State Funded Weatherization Programs, By Type, FY 1979, 1981, 1984 57

TABLE 3-10: Eligibility Range, State and Federal Funded Weatherization/Conservation Programs, 1984 58

TABLE 3-11: States with Weatherization/Conservation Programs, By Type, 1979, 1981, 1984 59

TABLE 3-12: Impact of LIHEAP and Oil Overcharge Funds on the Weatherization Assistance Program (000's) 60

TABLE 3-13: 1979 Weatherization/Conservation Program Components 61

TABLE 3-14: 1981 Weatherization/Conservation Program Components 62

TABLE 3-15: 1984 Weatherization/Conservation Program Components 64

TABLE 3-16: Number of States with Special Rates, By Type, 1979, 1981 and 1984 69

TABLE 3-17: States with Special Rates, By Type, 1979, 1981 and 1984 70

TABLE 3-18: Special Rate Schedules for Regulated Utilities -- 1979, 1981, & 1984 71

INTRODUCTION

INTRODUCTION

Trends Report of Energy Assistance Programs In the Fifty States, 1979-1984 is a report that examines "policy options" and perspectives. What policies and programs are potentially available to help low-income households meet their energy needs? What options have been implemented at the federal and state levels? What types of programs have developed and what are some of the unique components of these programs that might be of use to other energy assistance providers? The report is geared to state policymakers, to assist them in addressing the complex issues related to energy assistance programs and includes some suggested options for state policymakers.

This report provides a comparison of the results of the three surveys undertaken by the Energy Program at Cleveland State University of state funded energy assistance programs in the United States and District of Columbia. The first survey was conducted in 1979 for the Ohio Energy Credits Advisory Committee. The second was completed in 1981 under a grant from the Ford Foundation. The Ohio Public Utilities Commission supported this research project and the three reports that result from it.

The Trends Report is based on the belief that policymakers, especially at the state level, will find useful an overview of energy assistance options including some of the trade-offs involved when one path is chosen over another. No attempt is made to give an in-depth analysis of specific energy assistance programs. Two additional reports, Energy Assistance Programs in the Fifty States, 1984 Survey Update and Disconnect Policies in the Fifty States, 1984 Survey, respectively provide summary information about energy assistance programs as listed by type, and disconnect policies, covering all fifty states and the District of Columbia. These reports should be referred to for more detailed program descriptions and sources to contact for more information.

Current information for the report was gathered through a telephone survey of state energy assistance administrators and was conducted during the summer and early fall of 1984 and, therefore, reflect information available before the end of the fiscal year. Since the first survey taken in 1979, states have been granted much more flexibility in determining how federal funds can be spent on energy assistance. State funded programs are now often connected to federal programs. Therefore, federally funded programs were included in the 1984 survey and are addressed in the Trends Report. "Selected References" included at the end of this report will guide the reader to more resources. The American Gas Association, Edison Electric Institute, National Consumer Law Center and the Department of Health and Human Services which administers the Low Income Home Energy Assistance Program (LIHEAP), are excellent sources for additional program information.

The report is divided into four chapters. Chapter 1, Policy Options, provides an overview of energy assistance policies. This section includes tables showing examples of energy assistance policy options and potential funding sources for weatherization/conservation; direct home energy assistance, special utility rates, and regulatory commission disconnect policies that reflect the special needs of low-income utility customers.

Chapter 2, Program Options, describes various types of assistance programs in more depth and shows states with programs under each category. Some advantages and disadvantages of each type are also discussed.

Chapter 3, Program Trends, reviews the major overall trends in direct home energy assistance, weatherization/conservation, and special utility rates since 1979, especially at the state level.

The concluding chapter, "The Future of Energy Assistance," discusses proposed federal budget cuts and offers suggestions for state policymakers based for the most part on existing state programs. A brief description is given of two especially interesting programs that may serve as a model for other states. Energy Assistance Programs in the Fifty States, 1984 Survey Update provides a more complete description of these programs.

Efforts made by the fifty states and District of Columbia to ease the energy problems faced by their low-income residents varies considerably. The Energy Program staff constructed the following chart which identifies those states that have made especially strong commitments to energy assistance. It was based on survey results which documented state funding effort, utility regulatory rules, the use of LIHEAP and Oil Overcharge Funds, and apparent program effectiveness -- as told by state program administrators.

TABLE 1

State Energy Assistance Strategies For Selected States, 1984

State	Direct Assistance	Weatheri- zation	Utility Conservation	Rates	Disconnect Policies	RCS
ALASKA		X				
CALIFORNIA			X	X		X
COLORADO	X	X				X
CONNECTICUT	X	X			X	X
DISTRICT OF COLUMBIA	X	X			X	X
FLORIDA			X			X
IDAHO			X		X	
ILLINOIS			X		X	
INDIANA	X				X	
IOWA		X				
MAINE			X			
MARYLAND					X	
MASSACHUSETTS	X	X	X	X	X	X
MICHIGAN	X	X	X		X	X
MINNESOTA	X	X	X		X	X
NEW HAMPSHIRE		X		X		
NEW JERSEY	X				X	
NEW MEXICO	X					
NORTH CAROLINA			X		X	
OHIO	X	X			X	
OREGON	X	X	X			X
VIRGINIA		X				
WEST VIRGINIA			X	X		
WISCONSIN			X	X	X	X

* Residential Conservation Service, eg. federally mandated home energy audits.

There is no "ideal" approach to energy assistance. Needs vary from state to state as do resources to meet those needs. Innovative program design and financing are the state's strengths. The motivating assumption of this project is that states can learn from each other and, in doing so, improve upon the energy assistance efforts undertaken since the mid 1970s.

The next table roughly illustrates the major funding sources for energy assistance, by type, in 1984. Overwhelmingly, the resources for energy assistance are dependent upon federal funding. However, state program funding plays an important role. Innovation appears to be greatest at the state and local levels where stakeholders closest to the problems have the incentive to develop creative solutions. Not all sources and funding levels could be captured in the Energy Program Survey, especially in the areas of state weatherization tax credits, loans, and community development block grant funds. The dollar value of discounted utility rates was also unavailable. In addition, undocumented funding may well be the source of some of the most interesting programs. Private and corporate contributions, volunteer assistance, utility and local government conservation programs, and activities by not-for-profit organizations are but a few of these examples.

TABLE 2

Documented Federal and State Energy Assistance Funding Levels, By Source and Type, 1984*

TYPE	FUNDING (in millions)
Direct Assistance	
HHS LIHEAP	$1,781.936
Oil Overcharge Funds	18.383
State Funds	191.848
Total Direct Assistance	$1,992.167
Weatherization	
DOE WAP	$189.189
HHS LIHEAP	185.133
HUD Solar & Energy Conservation Bank	43.246
State Funds	31.170
State Bonds (Loans)**	75.745
Oil Overcharge	25.785
Miscellaneous	.699
Total Weatherization	$550.967
TOTAL ALL SOURCES	$2,543.134

* Excludes energy tax credits

** Includes some state bond money multi-year expenditures

Major Findings

The following represents the major findings of the 1984 survey of energy assistance programs and shows the overall changes which have occurred since 1981.

- State funding for direct home energy assistance has grown by over one third, to over $191 million, but only nine states fund programs -- the same number of states with programs in 1981.
- Financial resources for energy assistance continue to come overwhelmingly from a variety of federal sources, but primarily from LIHEAP which represents over 75 percent of all funding documented by this survey.
- The greatest area of growth in direct assistance has come from private contributions, often through utilities.
- State funding for weatherization programs has grown from 14 states in 1981 to 19 in 1984. However, many (14) of the programs are for tax credits or loans -- often unaffordable to low-income households.
- States have taken more responsibility in designing energy assistance programs. Federal regulations for LIHEAP allow states flexibility in developing programs. The DOE Weatherization Assistance Program is more restrictive, but by using other federal weatherization funding sources, plus state and Oil Overcharge Funds, states build programs with fewer or different restrictions.
- Federal tax credits, worth over $300 million annually, are not designed as low-income assistance but remain the most highly funded single source for weatherization subsidies.
- Energy assistance programs are now at least nominally linked to each other; application for direct assistance usually includes application information about weatherization programs. Utility disconnect notices also tend to include information about energy assistance programs.
- Utilities play a more important role in energy assistance outreach and sometimes are part of the application process itself.
- Energy assistance is still under-funded: approximately 37 percent of LIHEAP eligible households are served, and since the Bureau of the Census and DOE estimate 12.6 million low-income households are eligible for weatherization assistance, it will take 75 years to weatherize them at the current rate.
- Regulatory commissions are taking more responsibility for preventing utility customer hardship by restricting a utility's ability to disconnect service, especially during winter months.

POLICY OPTIONS

CHAPTER 1

POLICY OPTIONS

In the mid 1970s, the United States faced a new set of circumstances brought on by the accelerated rise in the cost of energy. This had a sudden and absolute impact on the poor, who were portrayed as facing the choice between "eat or heat." New laws, new programs and a whole series of uncoordinated and incremental "solutions" emerged from federal, state and local governments.

From a 1984 perspective, one can look at various energy assistance strategies that developed. The purpose of this chapter is to provide a framework for understanding the strategies and programs discussed in the remainder of the report. It should also be useful when examining individual energy assistance programs covered in the *Energy Assistance Programs in the Fifty States, 1984 Survey Update* (Directory).

When looking at a major long-term problem like the effects of high energy costs on the poor, there is more than one right approach. Given that government(s) are faced with scarce resources to relieve the hardships of low-income families, one needs to understand the strengths and weaknesses inherent in each approach. Programs have been developed as a result of intensive lobbying on the part of a variety of "stakeholders" in energy assistance at the federal, state and local levels. Each reflects a different perspective on the central issues -- "Who should pay?" and "Who should benefit?" The following is an abbreviated list of "stakeholders" in the energy assistance arena. Each supports those policies which best serve the interest of a particular organization or individual involved. Energy assistance policies have emerged from stakeholder's viewpoints, and billions of dollars have been spent on programs supporting these policies.

TABLE 1-1

Stakeholders in Energy Assistance Program Strategies

- Low income households
- Social service agencies
- Senior citizens
- Welfare advocacy groups
- Neighborhood and Local Development Corporations
- Charitable organizations
- Local, State and Federal Government
- Utility Regulatory Commissions
- Construction Industry
- Utilities
- Utility Customers:
  - Residential
  - Commercial
  - Industrial
- Oil and Gas Companies
- Taxpayers
- Financial institutions

Defining the Problem Through Program Objectives and Strategies

Two premises are made when defining the problems the poor face as a direct result of high energy costs. A significant number of low-income families in the United States do not have the financial resources to pay their total energy bills for basic energy needs like heat, light, cooking, and maintenance of medical life support equipment. Further, providing basic energy needs is a public responsibility just as is food, clothing and shelter that our society provides to its disadvantaged. It is, in fact, linked directly to shelter as a means of protection against the effects of cold or hot weather conditions.

Those two assumptions are supported by a body of studies and statistics. Table 2 illustrates five major energy assistance objectives that have been translated into strategies, also listed. Again, the list is not exhaustive, but it shows basic energy assistance approaches that have been taken. On one hand are types directly targeted to the poor, like increased welfare payments, direct energy assistance programs, targeted lifeline utility rates, weatherization/conservation installation grants, some loan programs, and even housing relocation assistance. Transferring unpaid bills (a utility's bad debt) to the rate base can also be viewed as direct assistance since it eventually becomes an income transfer paid by other utility customers, especially when a customer continues to receive service.

Another group of strategies also directly affect low-income households but are not really income transfers. These include conservation education programs, disconnect restrictions, and liberal utility payment plans. They ease the effects of the increased cost of energy but do not subsidize costs.

A third group of energy assistance strategies indirectly benefit the poor. For example, inverted or conservation rates for residential utility customers benefit the poor who can restrict energy usage to lower consumption levels. Strict housing codes benefit the poor who live in housing built or maintained to code. Low income customers who live in a utility service district where other customers have made conservation improvements or taken advantage of low-interest conservation loans may benefit from lower utility bills because of the resulting availability of less expensive conserved (versus new) energy. The low-income may benefit directly if they can afford the investment required to install conservation measures, or if their landlord makes improvements but doesn't pass the cost on. Those who live in utility service areas which are efficiently run save money over those who live in poorly run utility service areas. Finally, major changes in the type, source and cost of energy affect the poor along with everyone else. It should be noted that this last group of strategies deals with long range solutions -- how to lower the overall cost of energy.

When evaluating energy assistance strategies, it is important to keep a focus on two central issues -- who pays and who benefits. All strategies must be considered in each of the premises noted above -- that many Americans cannot afford minimal, life supporting energy service which society then provides.

TABLE 1-2

Energy Assistance Objectives and Strategies

I. Objective: Help Pay Energy Bills for Those Unable to Pay

Strategies

Increase welfare payments
Create direct energy assistance programs:
  Utility/fuel allowance
  Emergency utility/fuel assistance
  Tax credits
  Energy loan
Target lifeline utility rates/fuel discounts
Transfer bad debt to utility rate base

II. Objective: Decrease Energy Consumption

Strategies

Weatherize homes
Furnace retrofit/replacement
Energy audits
Set strict housing code standards
Educate on how to consume less energy; change habits
Set utility rates so those who consume more, pay more (inverted or conservation rates)
Relocate those in energy inefficient homes where weatherization is not cost effective

III. Objective: Decrease the Direct Cost of Providing Energy

Strategies

Regulate utilities so it is advantageous to run plants cost efficiently
Reduce peak loads by encouraging off-peak consumption
Reduce utility regulation
Encourage utility investment in lower cost/alternative sources of energy (i.e. conservation)

IV. Objective: Lessen the Effects of the Increased Costs for Energy

Strategies

Restrict disconnection of service during cold weather months
Liberalize utility bill payment plans; service deposits, reconnect policies

Energy Assistance Programs and Funding Sources

These strategies have shaped programs and determined funding sources. Each of the programs discussed in this report is described in the Directory. The funding sources are also represented in the Directory. Program types and funding sources are shown to illustrate what is possible. Not all programs are funded by each funding source -- but they could be. All major program types are covered in the Energy Survey except education and housing codes.

TABLE 1-3

Major Energy Assistance Program Types

Weatherization
- Supplement to federal programs
- Grants
- Loans
- Tax credits
- Housing codes

Conservation
- Energy audits
- Education

Direct Assistance
- Utility/fuel allowance
- Emergency assistance
- Supplement federal programs
- In-kind assistance
- Tax credits
- Increased existing social welfare programs

Utility Rates
- Targeted lifeline
- Conservation/small use
- Interruptible rates

Disconnect Policies
- Winter utility disconnect restrictions/moratoria
- Liberal extended payment plans, service deposit fees/ reconnect policies

---

TABLE 1-4

Examples of Funding Sources

Federal tax revenues
State tax revenues
Local tax revenues
Special purpose taxes
Lottery revenues
Licensing fees
Bond issues
Federal/state tax credits
Court case settlements (Oil Overcharge)
Utility shareholder profits
Utility ratepayers
Charity/volunteers
Conserved energy

CHAPTER 2

PROGRAM OPTIONS

As shown in Chapter I, there are four major energy assistance program types covered in this study:

- Direct Home Energy Assistance
- Weatherization/Conservation
- Special Utility Rates
- Utility Disconnect Policies

These are not absolute definitions since many programs are "hybrids," combining one or more kinds of assistance. This chapter will cover each major type, beginning with direct assistance -- the most heavily funded program -- and ending with regulatory commission rules that play a key role for all payment troubled utility customers. Some of the advantages and disadvantages of each are discussed. Most of these strengths and weaknesses are a reflection of opinions made by state energy officials contacted for the survey.

It is important to understand federally funded programs, especially from a state's perspective. Under the assumption that substantial federal program cuts may occur, it is useful to know what is working especially well, or what innovations may make programs better.

If federal funding is curtailed, states will not have to start from scratch to design their own assistance programs. A delivery system is already in place. Cooperation has been established in many states between administrators of various energy programs, utilities, advocacy organizations, utility regulatory commissions, local governments and other social service agencies. In the area of weatherization and conservation, the financial institutions, construction companies, and neighborhood organizations can be added to the list. This cooperative network is significant and has grown through the past several years. Add state-funded, not-for-profit and locally funded programs and there is a wealth of program information to draw upon.

Although the purpose of the Energy Program survey update was to assemble a directory of energy assistance programs rather than provide an in-depth major analysis, current program options and examples of states with each type of program are described.

DIRECT HOME ENERGY ASSISTANCE

Direct energy assistance programs cover federal and state efforts to help low-income households meet the costs of home energy expenses through direct aid subsidies. The federal government and a handful of states have constructed a variety of programs to provide the poor and elderly with relief from rising utility costs. One course of action is to simply increase existing federal and state income maintenance programs like Supplemental Security Income, Aid to Families with Dependent Children, and general assistance to compensate for rising energy costs. The federal government has not focused on this course of action, although regulations for the federal direct aid program allow states to make automatic home energy assistance payments to categorically eligible groups receiving benefits from existing social welfare programs.

Another course of action is to set up separate assistance programs earmarked specifically to help pay basic heating or cooling costs of the poor. Most state and federal funding goes into this strategy. Included are payments usually made either to recipients or fuel providers. Or, the benefit may be in the form of a tax credit for those with taxable incomes. A third major type of direct assistance is in the form of emergency assistance. This covers a wide variety of benefits from warm clothing, blankets, fans, heaters and furnace replacement to home energy payments which prevent disconnection of service. A household must usually be in an emergency or crisis situation (e.g. facing utility shut-offs) to qualify.

The primary funding source for all direct home energy assistance in the United States is the federally funded Low Income Home Energy Assistance Program (LIHEAP). Administered through the Department of Health and Human Services (HHS), it grants states wide discretionary power to implement home heating and cooling energy programs tailored to suit the weather-related needs of its residents. In fact, the program provides for weatherization activities described in the next section of this chapter. Four home energy assistance programs are implemented with LIHEAP funds: basic heating, crisis heating, cooling and crisis cooling. Eligiblity criteria are partially determined by the states and may be categorically eligible recipients of AFDC, SSI, Food Stamps or certain veterans benefits. Program participants cannot have incomes either above 150 percent of the Office of Management and Budget (OMB) poverty level or 60 percent of a state's median income, whichever is higher. Most states have stricter eligibility standards. Federal regulations require that both renters and owners be treated equitably, and states are asked to provide the highest level of assistance to households with the lowest incomes and highest energy costs in relation to income. Elderly households are also to be given priority treatment.

State Management of LIHEAP Funds

Effective October 1, 1982, the Omnibus Budget Reconciliation Act (OBRA) established the LIHEAP block grant to assist eligible low-income households cope with home energy costs. Congress intended to grant states broad latitude in the use of the funds and to be free from all but the most minimal federal administrative and regulatory direction. This federal hands-off policy granted states discretionary powers to design plans appropriate to each state's needs. States have not only designed unique programs under these regulations, they have also added funds from other sources to supplement the programs and broaden participation and benefits.

In addition, LIHEAP regulations permit states to make policy decisions regarding the use of block grant funds. States have the option to transfer up to 10 percent of LIHEAP funding to one or more of the six block grant programs administered by HHS. Other block grant funds can also be transferred into LIHEAP, but none was. Up to 15 percent of LIHEAP funds could be allocated for weatherization or energy-related home repair. States can use up to ten percent of their LIHEAP allocation for administrative costs, and finally, the states could reserve a maximum of 25 percent of a state's fiscal year allotment to the subsequent year.

PROGRAM OPTIONS

In 1984, the following funding sources were available to the 50 states and District of Columbia for the LIHEAP program:

TABLE 2-1

Total LIHEAP Funding by Source, 1984*

$1,854,309,566	FY 1984 Allotment
198,084,322	LIHEAP Supplement
125,630,445	FY 1983 Carryover
18,383,102	Oil Overcharge Funds
46,029,000	State Supplemental Funds
$2,242,436,435 *	Total Available Funding, 1984

* HHS August, 1984 figures, except Energy Program Survey state supplement totals

The next table shows the number of people assisted and benefit funding levels -- the actual amount states reported by September, 1984 that they spent on LIHEAP recipients, without showing the $154.89 million used for administrative costs, described later in this section.

TABLE 2-2

Total LIHEAP Benefits, FY 1984

	Funding Level	Number Assisted
Alabama	$12,118,726	76,700
Alaska	$6,100,000	15,165
Arizona	$7,213,968	45,513
Arkansas	$11,996,486	115,230
California	$65,135,217	438,313
Colorado	$19,375,000	60,697
Connecticut	$41,239,940	67,000
Delaware	$4,534,373	14,578
D.C.	$4,596,783	16,801
Florida	$26,208,662	156,266
Georgia	$16,450,000	94,000
Hawaii	$2,674,000	30,391
Idaho	$8,600,000	38,400
Illinois	$100,400,000	442,121
Indiana	$45,988,976	220,861
Iowa	$28,746,895	122,422
Kansas	$12,564,530	74,415
Kentucky	$21,068,109	95,460
Louisiana	$16,091,710	251,593
Maine	$21,903,619	56,000
Maryland	$27,157,702	105,752
Massachusetts	$78,300,000	155,700
Michigan	$95,900,000	535,000
Minnesota	$71,700,000	145,000
Mississippi	$11,413,313	74,848
Missouri	$37,452,504	192,000
Montana	$9,900,000	22,155
Nebraska	$15,411,470	53,453
Nevada	$2,740,000	10,200
New Hampshire	$14,315,509	35,027
New Jersey	$63,500,000	222,000
New Mexico	$8,747,925	53,985
New York	$192,300,000	978,099
North Carolina	$31,200,000	196,000
North Dakota	$12,385,412	19,491
Ohio	$79,645,696	561,139
Oklahoma	$12,446,453	77,762

	Funding Level	Number Assisted
Oregon	$18,137,000	99,255
Pennsylvanis	$125,301,670	559,683
Rhode Island	$13,232,637	49,400
South Carolina	$10,921,240	99,788
South Dakota	$9,710,000	24,289
Tennessee	$20,974,874	90,836
Texas	$42,791,326	688,289
Utah	$12,037,771	44,301
Vermont	$9,385,000	24,312
Virginia	$30,469,968	113,299
Washington	$24,974,50[illegible]	108,126
West Virginia	$15,185,288	78,000
Wisconsin	$51,266,710	232,479
Wyoming	$5,135,084	14,252
Total	$1,627,046,046	8,100,846

Number assisted for all LIHEAP heating and cooling programs. An estimated 80% receiving winter crisis also receive regular heating assistance according to HHS (FY 1983).

Since states could and did transfer funds to other areas in conformance with LIHEAP regulations, a significant amount of available funds were used for purposes other than direct energy assistance.

TABLE 2-3

State LIHEAP Transfers*

$ 90,465,742	Transfer to Other Block Grants
201,504,701	Transfer to Weatherization
131,690,456	Carryover to FY 1985
$423,660,899*	Total Fund Transfers and Expenses, 1984

* HHS August, 1984 figures

The net result of these transfers and carryovers was approximately $1.782-billion left for LIHEAP direct aid programs in 1984, including administrative costs. This is a reduction of approximately 19 percent of all funds available from all sources and nearly matches the federal FY 1981 allocation of $1.85 billion.

Transfer to Other Block Grants Excluding Weatherization

Since its enactment OBRA has raised energy assistance appropriations, but decreased funding in six other social welfare block grant entitlements administered by HHS. As a result, state officials responded to other social needs of the poor in their state and bolstered other entitlements with funds transferred from the LIHEAP grant. In all, 31 states exercised this option to transfer funds. An average of 7.6 percent of the LIHEAP allocation was transferred to other programs. The District of Columbia attempts to reconcile block grant cuts with an energy assistance program exclusively for low-income working parents who had assistance benefits either decreased or discontinued through OBRA. The ten percent maximum was transferred by Oklahoma, Colorado, Kentucky, Montana, Nebraska, North Dakota, and South Dakota. Conversely, 19 states and the District of Columbia decided not to transfer any LIHEAP funds to the other block grants. The result of the block grant transfer regulations is to make one social welfare need (energy assistance) compete against many others. By reducing overall funding and allowing transfers, the federal government has shifted basic human service needs to the states for prioritizing.

TABLE 2-4

States with No LIHEAP Transfers to Other Block Grants (Excluding Weatherization)

Alaska
Arizona
Connecticut
Delaware
District of Columbia
Hawaii
Illinois
Indiana
Iowa
Maryland
Massachusetts
Minnesota
Mississippi
New Hampshire
New Mexico
Ohio
Oklahoma
Pennsylvania
South Carolina
Virginia

Transfer to Weatherization Programs

Forty-seven states and the District of Columbia transferred LIHEAP funds to weatherization programs. Those that did not were Hawaii, New Mexico and Wyoming. An average of 10.9 percent of total block grant funding was earmarked for weatherization out of the 15 percent allowed. The following states transferred over 12 percent of their LIHEAP funds -- an indication of the importance these states place on weatherization as an energy assistance strategy.

TABLE 2-5

States Transferring Over 12% of LIHEAP to Weatherization Programs, 1984

Alabama
Arizona
Arkansas
California
Colorado
District of Columbia
Florida
Idaho
Illinois
Kansas
Kentucky
Louisiana
Maine
Maryland
Mississippi
Montana
Nevada
Ohio
South Carolina
South Dakota
Vermont
Wisconsin

Administration Expenses

States spent an average of 8.5 percent out of the 10 percent maximum of their entitlement for administrative expenses, according to HHS August, 1984 figures. States that administer LIHEAP payments to categorically eligible households spent an average of only 6.2 percent on administrative expenses. Of those 16 states, administrative costs range from a high of 9.4 percent in Connecticut to a low of 2.5 percent in Illinois. Oklahoma, which does not offer categorical assistance to subsidized households, holds its administrative expenses to three percent by using food stamp eligibility lists for certification of applicants. As a result, 97 percent of LIHEAP recipients also receive food stamps.

Table 2-6 indicates which states grant automatic categorical LIHEAP benefits and the percentage of administrative expense to total LIHEAP funding. The disadvantage of using categorical eligibility is its inability to assist those in need of energy assistance who are not participating in categorical programs. States that don't use categorical eligibility but maintain comparatively low administrative expenses are Utah with 4.7% and South Dakota with 5.1%.

TABLE 2-6

States with Categorical
LIHEAP Eligibility Criteria, 1984

Percent of Administrative Costs

Alaska	6.6%	Hawaii	4.4%	Michigan	5.1	New York	7.9
Arizona	7.7	Illinois	2.5	Montana	8.0	Texas	4.0
California	5.4	Indiana	4.1	New Jersey	7.0	Wisconsin	5.3
Connecticut	9.4	Maine	9.8	New Mexico	8.6	Wyoming	3.6

Carryover to Subsequent Fiscal Year

Forty-five states and the District of Columbia set aside funds from FY 1983 to "front load" the FY 1984 energy program. All but eight states had planned to carry over funds to FY 1985. Reserving funds for the subsequent year eases program continuity, according to an agency administrator in Arkansas. On the other hand, less money is then available for the current year's program. Federal LIHEAP regulations have been changed for FY 1986 when a maximum of only 15 percent can be carried over, rather than the 25 percent currently allowed.

Oil Overcharge Funds

Another source of funding for direct energy assistance (LIHEAP) was made available as a result of the "Warner Amendment" passed by Congress in 1983. It resulted in the distribution of funds held in escrow from settlements of cases of oil price overcharges. These court settlement funds are distributed to states according to each state's share of the national usage of an oil company's petroleum products during the period of overcharge. The states may use the funds for five federal energy programs: LIHEAP, the DOE Weatherization Assistance Program (WAP), State Energy Conservation Program, Energy Extension Service and Institutional Conservation Program. Funds available in 1984 totalled approximately $35 million. The monies are a temporary funding source with unpredictable year to year funding totals.

TABLE 2-7

States with Oil Overcharge Funds Supplementing LIHEAP

State	Total Oil Escrow to LIHEAP
Arizona	$ 692,750
California	2,000,000
Georgia	750,000
Maryland	257,702
North Dakota	696,200
Pennsylvania	500,000
Rhode Island	200,000
Texas	1,200,000
	$6,296,652

LIHEAP Program: Heating, Crisis Heating, Cooling, and Crisis Cooling

Four types of direct assistance are allowed under LIHEAP regulations. Described below is each type. Benefit levels shown represent figures gathered through a telephone survey taken during the summer of 1984, and will differ from the HHS final report.

Basic Heating

Regular or basic heating assistance is the primary focus and cornerstone of LIHEAP. Approximately 67 percent of the total LIHEAP entitlements are spent on this program. Direct payments are made to either program recipients or energy suppliers. Every state offered basic heating benefits. The basic heating programs provide direct energy payments to assist the poor in keeping winter energy bills current. In 1984, $1.389 billion was spent on over 6.5 million households to provide basic heating assistance to LIHEAP recipients.

TABLE 2-8

LIHEAP Basic Heating Program Funding Level, FY 1984

	$ Funding		# Assisted
Alabama	$8,808,309		75,000
Alaska	$5,750,000		14,000
Arizona	$4,329,250	*+	33,307
Arkansas	$9,015,185		77,254
California	$48,135,217	*	320,351
Colorado	$19,175,000		6[illegible],000
Connecticut	$37,079,940		67,000
Delaware	$4,355,679		13,578
D.C.	$3,352,398		9,286
Florida	$25,445,303	*	156,266
Georgia	$15,100,000		94,000
Hawaii	$2,310,000		27,800
Idaho	$8,600,000		38,400
Illinois	$95,400,000	*	418,187
Indiana	$36,388,976		175,861
Iowa	$27,246,895		110,956
Kansas	$9,064,530		48,665
Kentucky	$6,964,229		32,815
Louisiana	$8,091,710		126,776
Maine	$21,431,746		53,000
Maryland	$24,257,702	+	86,252
Massachusetts	$78,300,000		155,700
Michigan	$52,800,000		446,000
Minnesota	$67,000,000		139,000
Mississippi	$11,000,000		71,000
Missouri	$33,952,504		152,000
Montana	$9,800,000		21,755
Nebraska	$12,861,470		37,75
Nevada	$2,400,000		10,18
New Hampshire	$13,180,509		26,54
New Jersey	$60,000,000		200,00
New Mexico	$8,554,925		50,72
New York	$174,000,000		938,00
North Carolina	$26,000,000		160,00
North Dakota	$12,154,061	+	18,39
Ohio	$60,000,000		441,13
Oklahoma	$10,646,453		77,76
Oregon	$17,075,000		92,75
Pennsylvania	$116,301,670	+	420,52
Rhode Island	$8,462,173	+	31,40
South Carolina	$9,614,164		86,41
South Dakota	$9,140,000		21,06
Tennessee	$16,415,119		72,15
Texas	$23,300,000	+	305,32
Utah	$11,987,771		44,30
Vermont	$8,885,000		21,81
Virginia	$30,469,968		113,29
Washington	$19,974,500		67,65
West Virginia	$11,641,234		78,00
Wisconsin	$48,266,710		220,00
Wyoming	$5,115,084		14,25
Total	$1,389,600,384		6,573,66

NOTE: * Indicates that data applies to heating and cooling benefits
+ Includes Oil Overcharge Funds

State authority to set income eligibility ceilings above public assistance levels like SSI and Food Stamps covers a broader base of the nearly poor, who are unable to pay the full cost of high heating bills. Income eligiblity guidelines ranged from a high of $21,504 in Alaska (60 percent of the state median income) to a low in Hawaii, where it serves only those on public assistance with an average annual income of $6,552 for a family of four. Twenty-three states have set income eligibility ceilings of LIHEAP's 150 percent of the OMB poverty level or 60 percent of the state median income. The remaining 27 states and the District of Columbia use more stringent income guidelines.

TABLE 2-9

States with LIHEAP Income Eligibility at 150% of OMB Guidelines or 60% of State Median Income

Alaska
Connecticut
Iowa
Kansas
Louisiana
Maryland
Massachusetts
Michigan
Minnesota
Missouri
Nebraska
Nevada
New Hampshire
New York
North Dakota
Ohio
Pennsylvania
Rhode Island
South Dakota
Tennessee
Utah
Virginia
Wisconsin

The need to subsidize energy payments will continue for low-income households. Even fully weatherized houses require substantial heat and although energy costs have risen at a slower rate in the last couple of years, the costs are still substantial and unaffordable to many. While LIHEAP was not intended to cover all the poor's energy needs, assisted households expend a greater proportion of their income on energy bills -- up to 20 percent according to a recent report by the National Consumer Law Center. On the other hand, most subsidized energy payment programs provide temporary warmth, but do not promote incentives or assistance to conserve energy.

Even though home heating is considered a necessary adjunct to shelter, many state administrators question the "paternalistic" aspect of the program. One survey respondent suggested eligible recipients be given income maintenance money directly in order to manage their own energy needs. His state is reviewing current winter restrictions on energy disconnections and he favors giving eligible households the full state energy assistance benefit ($600) and letting them work out a budget system with utility companies. Many income eligible people do not apply for energy benefits -- the elderly, especially, are often too proud to seek assistance payments. For that reason, Vermont uses welfare offices as regular application intake centers but permits the elderly to apply for benefits at senior centers. Many utility companies cooperate and assist in helping payment-troubled customers get assistance. Indiana has worked out an agreement with the utilities to serve as application intake centers.

Energy subsidies were not intended to pay the poor's full energy bill, but Montana is able to service all who apply for benefits and to pay 100 percent of home heating costs. Wisconsin's heating program was scheduled to terminate in March of 1984, but was extended through May because of a lower than expected case load. At the other end of the spectrum is Kentucky which expended all funds on the second day of its December application period. Texas, another warm weather state, faults the LIHEAP funding allocation formula which is based partly on heating degree days and does not consider cooling degree days. Both Texas and Kentucky allocate federal funds for summer cooling programs.

Crisis Heating

The LIHEAP funded crisis intervention programs are geared to provide relief from weather-related and supply shortage emergencies. Under LIHEAP guidelines, states must reserve a reasonable amount of their allotment for crisis assistance. No minimum or maximum amount of funds are specified. Applicants for crisis intervention are generally required to document "proof of crisis" -- usually a utility shut-off notice, utility disconnection or lack of unmetered fuel. In states that have restrictions on disconnection of service during winter months, crisis heating funds are often used to stop utility terminations in the early spring months. In 1984, 46 states administered crisis intervention programs totaling $201.43 million and assisted over one million households.

TABLE 2-10

LIHEAP Crisis Heating Program Benefit Level, FY 1984

	Crisis Heating		
	$ Funding		# Assisted
Alabama	$1,600,045		1,700
Alaska	$350,000		1,165
Arizona	$2,884,718	*+	12,206
Arkansas	$1,601,501		15,238
California	$17,000,000	*+	117,962
Colorado	$200,000		697
Connecticut	$4,160,000		
Delaware	$178,694		1,000
D.C.	$426,000		2,133
Florida	$763,359		
Georgia	$1,350,000	+	
Hawaii	$364,000		2,591
Idaho			
Illinois	$5,000,000	*	23,934
Indiana	$9,600,000		45,000
Iowa	$1,500,000		11,466
Kansas			
Kentucky	$13,473,880		58,645
Louisiana			
Maine	$471,873		3,000
Maryland	$2,900,000		19,500
Massachusetts			
Michigan	$43,100,000	*	89,000
Minnesota	$4,700,000		6,000
Mississippi	$413,313	*	3,848
Missouri	$2,000,000		25,000
Montana	$100,000		400
Nebraska	$850,000	*	3,700
Nevada	$140,000	*	12
New Hampshire	$1,135,000		8,487
New Jersey	$2,500,000		12,000
New Mexico	$193,000		3,258
New York	$18,300,000		40,099
North Carolina	$5,200,000	*	36,000
North Dakota	$231,351	*	1,100
Ohio	$19,645,696		120,000
Oklahoma	$1,800,000	*	
Oregon	$1,062,000		6,500
Pennsylvania	$9,000,000		139,159
Rhode Island	$4,770,464		18,000
South Carolina	$1,131,076		11,700
South Dakota	$570,000		3,220
Tennessee	$4,559,755	*	18,686
Texas	$4,091,326	*	72,962
Utah	$50,000		
Vermont	$500,000		2,500
Virginia			
Washington	$5,000,000		40,476
West Virginia	$3,544,054		
Wisconsin	$3,000,000		12,479
Wyoming	$20,000		
Total	$201,431,105		990,823

NOTE: * Indicates that data applies to heating and cooling benefits
+ Includes Oil Overcharge Funds

A definite plus of the crisis program is that many states make emergency funds available in the spring when winter restrictions on disconnection of service are lifted. In fact, some states earmark crisis-emergency funds on a year-long basis. Most state administering agencies for crisis assistance have the capability to grant same-day service, ensuring continuation of home energy. The discretionary power to tailor benefits has resulted in energy crisis funds being appropriated for diverse assistance like furnace retrofitting, heating unit repairs, window replacement, temporary shelter, and in the case of Michigan, a one time $1,500 grant for home repairs. It is estimated that furnace retrofitting alone can save up to 20-25 percent of a household's energy costs.

The most severe drawback to crisis programs, according to many state survey respondents, is that income eligible households permit unpaid energy bills to mount. Although they may be able to maintain energy bill payments, they do not do so in order to qualify for emergency benefits.

The HHS annual report for 1983 estimates nearly 80 percent of households receiving winter crisis assistance also receive regular heating assistance. Hawaii now certifies eligibility for crisis benefits every other year so an applicant household may not receive crisis assistance in two successive years. This requirement came about through recommendations of the local administrators of the program who cited client abuse. Kansas eliminated heating crisis benefits altogether in 1983 because many households purposely let their utility bills mount. Kansas also requires energy program participants to make at least a partial utility bill payment in each of the two months prior to a program application period. Administrators claim the bill payment stipulation is an "educational tool" that has drastically cut down on disconnect notices. Tennessee planned to discontinue its crisis program, but the state legislature mandated its continuation.

Overall, crisis benefits offer "stop gap" assistance. If the pool of money earmarked for crisis emergency benefits were merged with the basic heating program, the opportunity for program abuse would diminish, but so would the advantage of "same day" emergency assistance, plus some of the creative "in-kind" benefits would be eliminated.

LIHEAP Cooling and Crisis Cooling Program

There are two types of cooling assistance programs under LIHEAP. The first provides bill-paying assistance to customers in states where cooled air is also a necessity due to a hot climate. It is the counterpart to the basic heating program and 12 states provide these benefits to eligible households. Crisis cooling program recipients are usually required to provide medical or social service agency certification of a critical health hazard that requires a cool environment before benefits are approved. Overall, cooling assistance is a small part of energy assistance. Five states spent six percent of total LIHEAP funding on cooling assistance, while less than one percent was expended on crisis cooling benefits.

TABLE 2-11

LIHEAP Cooling Benefits Funding Level, FY 1984

	Cooling		Crisis Cooling	
	$ Funding	# Assisted	$ Funding	# Assisted
Alabama			$1,710,372	
Arkansas	$1,379,800	22,738		
D.C.	$792,385	5,357	$26,000	25
Kansas	$3,000,000	25,000	$500,000	750
Kentucky			$630,000	4,000
Louisiana	$8,000,000	124,817		
Missouri	$1,500,000	15,000		
Nebraska	$1,700,000	12,000		
Nevada	$200,000			
New Jersey	$1,000,000	10,000		
South Carolina			$176,000	1,673
Texas	$15,400,000	310,000		
Total	$32,972,185	524,912	$3,042,372	6,448

Note: For a complete list of states offering cooling benefits, refer to the additional states shown with an asterisk on Table 2-10.

State Funded Programs

In 1984, nine states appropriated funds totaling $191,848,516 to implement 15 direct aid programs. A little over 700,000 households benefitted from the state-funded programs, in addition to the four federal programs with state funds which supplement LIHEAP. The 15 programs can be divided into four categories:

Home Heating - Five of the seven programs in this category are targeted to provide assistance payments, like the LIHEAP basic heating program, to offset energy expenses during the heating season. Benefits are paid during the winter months to either the program recipient or energy suppliers. Only New Jersey and the District of Columbia offer year-long program benefits with no seasonal limitation for assistance.

The five states which offer state program benefits only during the heating season are Colorado, Connecticut, Massachusetts, Michigan and Ohio. The advantage of a utility allowance program is that benefits may be used along with LIHEAP benefits. No state precludes low-income recipients from also qualifying for LIHEAP assistance,and all seven programs target low-income population groups. Michigan's program is limited to AFDC households; the District of Columbia's is exclusively for working parents who either had their federal public assistance benefits decreased or discontinued with the passage of OBRA. The other states target assistance for the low income elderly or disabled. Massachusetts' One and Two Program largely benefits the elderly since it is exclusively for one or two person households. New Jersey funds its SSI supplement program with revenues from the state's casino revenue tax; the rest use general revenues.

All of the programs have been in operation for at least two years. Ohio's started as a temporary program in 1977 and was given permanent status in 1979. New Jersey's Program was also implemented in 1979. Connecticut, Michigan and Ohio have continued their committment to energy programs irrespective of substantial federal funding which began in FY 1980.

Tax Credit - The tax credit is referred to as a heat credit and is available to qualified residents as a credit or as a refund on state income tax returns. If a resident does not have state taxable income he/she must file the state tax forms in order to receive the heat credit. Only Michigan and Colorado offer this type of program.

Michigan's tax credit is for all low-income households not on AFDC or General Assistance. Colorado's is for elderly and disabled households. An advantage of this type of program is that the procedure is very simple -- filing a state income tax form which includes the heat credit. However, sufficient outreach must be done to inform eligible households to file even if they don't pay state income taxes. Another disadvantage is only one check is issued annually and it may not help low-income people pay their bills when they most need the help. A definite plus is that in both states, participation does not preclude receiving LIHEAP benefits.

Winter Crisis Intervention - Connecticut and New Jersey are the states that initiated single purpose programs. Only households awaiting certification for LIHEAP benefits are eligible for emergency assistance. Benefits are expedited immediately to the program participants, either in cash payments to avoid disconnection or for cold weather merchandise such as warm clothing or heaters. Although funding is relatively small, the programs fulfill a need in the LIHEAP process. The time between application, certification and benefit reception is crucial if a household is out of fuel or faces utility service termination. State crisis programs provide immediate relief during that critical time period.

Federal Program Supplements - Indiana, Massachusetts, Michigan and New Mexico authorize state funds to supplement LIHEAP. The commingled funds are available to eligible households with no change in LIHEAP eligibility criteria. Michigan, however, spends funds on AFDC households exclusively, matching Title IV funds to help pay home energy expenses. The advantage of merging state monies with LIHEAP is that administrative costs are lower since the mechanism for the program's operation is in place. Ohio is currently reviewing a proposal to consolidate the Energy Credits Program with LIHEAP, and the administrative savings is a reason cited.

TABLE 2-12

State Funded Direct Aid Energy Programs, FY 1984

	Energy Allowance	SUPPLEMENT TO Federal Programs	WINTER Emergency	TAX Credit	STATE TOTAL
Colorado	$2,769,516			$5,154,000	7,923,516
Connecticut	$1,400,000		$100,000		1,500,000
D.C.	$2,662,000				2,662,000
Indiana		$6,741,000			6,741,000
Massachusetts	$2,000,000	$15,000,000			17,000,000
Michigan	$18,500,000	$23,200,000		$16,000,000	57,700,000
New Jersey	$54,834,000		$400,000		55,234,000
New Mexico		$1,088,000			1,088,000
Ohio	$42,000,000				42,000,000
Total	$124,165,516	$46,029,000	$500,000	$21,154,000	191,848,516

State funded programs have remained stable, neither growing nor declining significantly since 1981. With only nine states funding this type of assistance, state policy makers probably feel LIHEAP is adequately covering the energy needs of their low income families. However, two other assistance sources have become important adjuncts to government programs and illustrate both the problems remaining and some new solutions that fill the holes in the government's "safety net" for the poor. The first -- privately funded assistance -- is described next. The second -- disconnect policies -- is discussed at the end of this chapter.

Utility Fuel Payment Funds

The fastest growing area of energy assistance is coming from private sector and not-for-profit initiatives. One major kind of help is the utility-sponsored bill payment funds. They now exist in at least 39 states. A fund is set up where a utility usually matches 1:1 or 2:1 the donations made by employees, stockholders and/or customers. It is usually a source of help to pay energy bills after all other energy assistance sources are exhausted. The funds are usually administered by charity organizations such as the Salvation Army or Red Cross. These programs have grown rapidly because of gaps in regular energy assistance programs and range in size from helping a handful of customers to providing help to thousands.

This concludes the range of direct energy assistance programs now available in the fifty states and District of Columbia. The next section covers weatherization and conservation strategies and programs.

WEATHERIZATION/CONSERVATION

An important way to reduce the cost of energy is to reduce energy consumption while maintaining an acceptable level of comfort. This is the aim of a variety of federal, state,and local government and utility programs which fall under the general heading of weatherization/conservation. These programs attempt to conserve energy by making homes more resistant to outside elements, by improving the efficiency of the central heating sources, and by making people more "energy wise."

Many methods are available to state administrators to distribute weatherization/conservation services to the poor. The most common forms are grants, loans, tax incentives, and educational programs. Each provides benefits in different ways.

Conservation Grant Programs

Grant programs are usually made for the most needy households. Grants may be direct cash payments to residents for conservation improvements or may be matching grants with part of the cost borne by the grant recipient. For example, the federal government's Solar Energy & Energy Conservation Bank (Bank) provides states with funds to use as matching grants for qualified applicants. Grants may also take the form of free conservation home improvements provided by trained workers. All of the 50 states and the District of Columbia provide home weatherization grants through the Department of Energy's Weatherization Assistance Program (WAP). In addition, states provide weatherization/conservation improvements using state funds, LIHEAP transfer funds, Oil Overcharge Funds, private donations and through utility assistance programs.

DOE Weatherization Assistance Program

The Department of Energy's WAP is the central program which all states rely upon as the main source of funding for weatherization/conservation grant activities. The program was established by legislation in 1975, and was administered by the Community Service Administration (CSA). Originally, it concentrated on inexpensive, easy-to-install measures. In 1976, Congress enacted the Energy Conservation and Production Act, which established a weatherization grant program to aid low-income people. The DOE program ran parallel to and supplemented the CSA program for two years -- 1977 and 1978. In 1979, DOE became the main federal agency responsible for weatherization grants.

Today DOE administers WAP through ten field offices. Funds are allocated using a formula based on the number of low-income households in each state, annual heating and cooling degree days, and the percentage of total residential energy used for space heating and cooling.

The Department of Energy has developed regulations which each state must follow in administering the program. For example, eligibility is based on households with combined incomes falling at or below 125 percent of the OMB poverty guidelines. The maximum allowable expenditure per dwelling for material, labor, and related program costs is $1,000 or up to $1,600 if additional labor expenditures are required. The actual grant is determined by the condition of the house during a pre-weatherization audit. DOE tightly regulates the kinds of weatherization materials allowed and other related program expenditures. Weatherization improvements must be performed by Job Training Partnership Act workers, volunteers, or private contractors -- not by applicants themselves. Although the DOE regulations are restrictive, states play a crucial role in managing, planning, and monitoring the program and have a number of options available to tailor the programs to suit their needs.

Allowable DOE Weatherization Assistance Program Installations:

- Low Cost/No Cost Weatherization
- Weatherstripping
- Insulation
- Caulking, sealants
- Storm windows, doors
- Vapor barriers
- Materials used for heating and/or cooling system tune-ups, repairs, and modifications
- Waste heat recovery devices
- Heat exchangers
- Thermostat control systems
- Hot water heat pumps

The benefits of DOE's WAP are obvious. By weatherizing the homes of low-income people, the homes are more energy efficient, thus lowering fuel bills. Since many weatherization recipients also receive LIHEAP direct fuel assistance payments, the effect of weatherization may be to lessen dependency on home energy assistance. In addition, consuming less energy benefits society in general through the extension of scarce energy resources.

In conducting this study, various state administrators expressed what they particularly liked about WAP. Texas noted quite simply that weatherization has a lasting effect. The Ohio administrator's observation was, "The program invests taxpayers' money wisely, not just paying utility bills." Other states, such as Pennsylvania and Kansas, favor the DOE program because the stringent rules require that the neediest households be weatherized first.

A few states expressed dissatisfaction with the DOE program regulations. One program administrator from Kentucky feels administrative (red tape) costs are too high. A North Dakota official felt that the program doesn't allow for much state creativity. Other states expressed the opinion that although the Department of Energy likes to see more houses partially weatherized, they prefer to weatherize fewer houses more completely. It was noted that weatherization assistance programs take a somewhat paternalistic attitude toward the low income and elderly because clients are not allowed to make the conservation improvements themselves. If WAP allowed this, consumers could be trained to install the materials themselves, thereby saving much in labor expense.

Congress appropriated $190 million for WAP in 1984. The state of New York received the highest allocation at $19.5 million, while Hawaii received the lowest at $156,000. Almost every state reported long waiting lists, which suggests either funding is inadequate to meet the demands of qualified applicants or that the process of making weatherization is characteristically slow. With the end of the Comprehensive Employment Training Act (CETA) program many states and their respective agencies have switched to private contractors to install weatherization materials, a change they feel is for the better.

TABLE 2-13

States Participating in the DOE Weatherization Assistance Program, FY 1984*

State	1984 DOE Funding Level	State	1984 DOE Funding Level
Alabama	$ 1,682,000	Montana	1,600,000
Alaska	1,100,000	Nebraska	2,453,000
Arizona	666,000	Nevada	499,000
Arkansas	1,637,000	New Hampshire	1,600,000
California	4,824,000	New Jersey	4,956,000
Colorado	4,135,000	New Mexico	2,470,000
Connecticut	2,663,000	New York	19,544,000
Delaware	525,000	North Carolina	3,169,000
District of Columbia	600,000	North Dakota	1,900,000
Florida	613,000	Ohio	10,940,000
Georgia	1,862,000	Oklahoma	1,707,000
Hawaii	256,000	Oregon	2,232,000
Illinois	11,370,000	Pennsylvania	13,413,000
Idaho	1,552,000	Rhode Island	1,155,000
Indiana	5,365,000	South Carolina	1,051,000
Iowa	4,665,000	South Dakota	1,962,000
Kansas	1,961,000	Tennessee	3,288,000
Kentucky	4,352,000	Texas	2,576,000
Louisiana	801,000	Utah	2,665,000

Maine	2,985,000	Vermont	1,420,000
Maryland	2,172,000	Virginia	2,992,000
Massachusetts	5,720,000	Washington	3,446,000
Michigan	13,228,000	West Virginia	2,546,000
Minnesota	9,857,000	Wisconsin	7,292,000
Mississippi	1,118,000	Wyoming	870,000
Missouri	5,734,000	Total:	$189,189,000

* Funding estimates, August 1984

LIHEAP, Oil Overcharge, and State Funded Weatherization Programs

Other sources of grant program funds are LIHEAP, Oil Overcharge settlements and state treasuries. LIHEAP regulations allow states to transfer up to 15 percent of their allocation to create or supplement weatherization programs. The Warner Amendment of 1983 made funds recovered from oil company price control violation cases available to states for energy assistance including weatherization/conservation activities. Weatherization programs developed with states or Oil Overcharge Funds differ from WAP because they allow more state flexibility in determining eligibility, allowable activities, and maximum expenditures per unit.

Several benefits are derived from LIHEAP, Oil Overcharge, and/or state funded weatherization/conservation assistance programs. Increased funding allows more low-income dwellings to be weatherized. Secondly, the eligibility guidelines are often raised to a higher level than under the DOE program, thus including households otherwise ineligible for WAP assistance. For example, many who qualify for LIHEAP direct assistance payments at 150% of the federal poverty level don't qualify for weatherization under the tighter DOE income rules.

One argument against higher income eligibility guidelines is that it diverts funds from the neediest families to higher income families. Some state officials make weatherization available to the neediest first by exclusively using the DOE 125% OMB poverty guidelines for all programs. Either way, by developing a priority system based on need, dwellings of the poorest can be weatherized first.

During 1984, a total of 47 states and the District of Columbia transferred LIHEAP funds into their weatherization programs. In addition, 14 states were using Oil Overcharge Funds and seven states were using state funds in their DOE weatherization programs. Michigan and Oklahoma were the only states using all three sources to supplement WAP. Each tailored the way funds were used to fit the needs of the state. In Michigan, it was decided that all funding sources used in the program would follow DOE regulations and eligibility guidelines because of the many people below the 125% poverty guideline. Oklahoma chose to raise LIHEAP transfer fund eligibility to 150% of the poverty level to include more nearly poor households in the program. Table 2-14 shows the states which supplemented their DOE WAP in 1984 by funding level and sources.

TABLE 2-14

States Which Supplemented Their Weatherization Assistance Program During FY 1984

	LIHEAP Transfer	Oil Overcharge Funds	State Funds	Misc.
ALABAMA	$2,400,000			
ALASKA	300,000		6,000,000	
ARIZONA	1,239,000	150,000		
ARKANSAS	2,400,000	644,000		
CALIFORNIA	10,000,000			
COLORADO	2,355,000		100,000	
CONNECTICUT	3,000,000			
DELAWARE	781,000	304,000		
DIST. COLUMBIA				185,000 (CDBG)
FLORIDA	4,250,000			
GEORGIA	2,536,000			
HAWAII				
ILLINOIS	14,500,000			
IDAHO	1,745,000			
INDIANA	6,542,000			
IOWA	4,357,000			
KANSAS	2,412,000			
KENTUCKY	3,839,000			
LOUISIANA	2,850,000	1,400,000		
MAINE	3,401,000		1,085,000	
MARYLAND	4,824,000	1,200,000		
MASSACHUSETTS	7,800,000			
MICHIGAN	5,000,000	6,900,000	4,000,000	
MINNESOTA		2,000,000	8,600,000	14,000 (Utility Contributio
MISSISSIPPI	2,641,000	3,834,000		
MISSOURI	4,000,000	1,000,000		
MONTANA	800,000			
NEBRASKA	1,110,000			
NEVADA	280,000	124,000		
NEW HAMPSHIRE	1,020,000			
NEW JERSEY	4,300,000			
NEW MEXICO				
NEW YORK	16,500,000			
N.CAROLINA	2,250,000			
N. DAKOTA	970,000			
OHIO	14,415,000	2,200,000		
OKLAHOMA	1,600,000	675,000	27,500	
OREGON	2,850,000			
PENNSYLVANIA	8,200,000			
RHODE ISLAND	642,000			
S.CAROLINA	1,838,000			
S.DAKOTA	1,822,000			
TENNESSEE	2,593,000			
TEXAS	2,360,000	2,000,000		

UTAH	1,000,000		
VERMONT	1,849,000		
VIRGINIA	3,000,000		
WASHINGTON	4,626,000		
W.VIRGINIA	1,975,000		
WISCONSIN	8,800,000		
WYOMING			600,000
TOTAL	178,062,000	22,431,000	20,412,500

A third grant strategy is implementation of specialized weatherization programs. Such programs include low cost/no cost weatherization, major repair programs, and furnace retrofit or replacement programs. The aim is to get at specific problems not addressed by WAP. Funding comes from a number of sources including state funds, Oil Overcharge Funds, LIHEAP transfers, and the Energy Extension Services Program. The Energy Extension Service funds may be used only to pay for conservation education and certain labor costs, not weatherization materials.

Low Cost/No Cost Weatherization Programs

Low cost/no cost programs are specifically designed to weatherize homes of those not requiring full scale weatherization. Usually, limitations are set on the amount spent to weatherize homes, ranging from $50 to $250. Limitations are also set on the types of services provided. Typical services are aimed at reducing air infiltration including caulking, weatherstripping, replacing broken windows, furnace filter replacements, hot water heaters, blankets, and hot water heater adjustments.

Low cost/no cost programs allow many more homes to receive simple, inexpensive, but highly cost-effective weatherization. In Colorado, 6,000 homes received low cost weatherization at an average cost of $125 per home in 1983. One consideration when deciding whether to implement a low cost program is the need for funds for homes requiring full weatherization.

Only five states offered separate low cost/no cost programs in 1984, excluding those described under direct assistance. An additional four states offered low cost/no cost services through their DOE Weatherization Assistance Programs. Table 2-15 lists these states and their respective funding sources. Ohio has a particularly innovative low cost/no cost weatherization pilot program using funds from the Energy Extension Services Program. It awards grants of approximately $50,000 to three or four cities with populations over 50,000 and is used to cover administrative costs. Cities receiving grants must commit other resources to purchase and install low cost weatherization materials. This incentive grant encourages local commitment to share in the costs of weatherization.

TABLE 2-15

States Offering Low Cost/No Cost Weatherization Programs During FY 1984

State	Funding Level	Funding Source
Arizona	$ 73,000	Energy Extension Service
Colorado	2,000,000	LIHEAP Allotment
District of Columbia	914,000	LIHEAP Allotment
Iowa	207,000	Private Contributions
Ohio	220,000	Energy Extension Service
Louisiana*	N/A	N/A
Massachusetts*	N/A	LIHEAP Allotment
Pennsylvania *	N/A	N/A

* Indicates states which offer low cost/no cost weatherization services through their DOE Weatherization Assistance Programs.

Major Repairs

Major repair programs are designed to prepare houses which are in structural disrepair for weatherization assistance. The DOE weatherization program regulations restrict funds to a maximum of $150 to be spent per household on "incidental" repairs. The amount isn't enough to cover the cost of larger repairs -- particularly if a roof is badly damaged. One way to overcome the DOE limitations is to implement a major repairs program using funds from other sources.

The benefits are obvious. Weatherization cannot be effective in a house that has holes in its roof. However, the amount of money needed for a single house may not be cost effective, given low funding levels. For example, Michigan allows up to $5,000 to be spent on a single house -- an amount that would quickly deplete many programs. Although major repair programs are costly, they can be developed with a lower maximum benefit level enabling more people to participate.

In 1984, Alaska, Colorado, Idaho, Maine, and Oklahoma set aside LIHEAP or state funds to be used for major repairs in their DOE program. In addition, New Hampshire, the District of Columbia and Michigan set up separate major repair programs. The maximum expenditure per household for these three programs is $1,000, $3,000, and $5,000, respectively.

TABLE 2-16

States Offering Major Repair Programs During FY 1984

State	Funding Level	Funding Sources
District of Columbia	**	LIHEAP Allotment
Michigan	$6,000,000	State Funds
New Hampshire	680,000	LIHEAP Allotment
Alaska*	N/A	State Funds
Colorado*	100,000	State Funds
Idaho*	N/A	LIHEAP Allotment
Maine*	N/A	State Funds
Oklahoma*	N/A	LIHEAP Funds

* Indicates states which offer major repair programs, in excess of DOEs $50 incidental repair limitation, through their DOE WAP.

** Uses part of its $914,290 LIHEAP Weatherization Funds.

Furnace Tune-Ups, Retrofits, and Replacements

Another means of conserving energy is by making a dwelling's heating source more efficient. Three programs under this category are furnace tune-ups, retrofits, and replacements. Furnace tune-ups are the least expensive per household to perform. Adjustments are made in existing heating units to bring them up to more efficient levels. Furnace retrofits make adjustments and replacement parts to bring furnaces up to more efficient levels. Furnace replacements are used as a last resort when nothing else can bring a heating source up to an adequate efficiency level.

The benefit of furnace adjustment programs is that more energy can be conserved in addition to weatherization. A drawback is the high cost involved, especially when a replacement is necessary. However, furnace tune-ups are a relatively inexpensive investment ranging between $60 and $250. Many states are conducting pilot retrofit programs to measure its cost effectiveness. The Alliance to Save Energy has been a major catalyst in the implementation of these pilot programs. According to a study conducted by the Alliance the average cost of a retrofit in Minnesota during 1983 was $565 and resulted in an annual fuel savings of $314.

In 1984, 14 states offered either furnace tune-ups or furnace retrofits. Connecticut and New Hampshire offered furnace replacements. In most states these services were run as part of the DOE WAP and were funded with LIHEAP or Oil Overcharge Funds. Virginia piloted both furnace retrofit and furnace tune-up programs which are available to LIHEAP recipients. The states offered maximum expenditures of $500 and $60 per dwelling, respectively.

TABLE 2-17

States Offering Furnace Retrofit or Furnace Tune-Up Programs During FY 1984

State	Funding Sources
District of Columbia	LIHEAP Allotment
New Hampshire	LIHEAP Allotment
Ohio	Oil Overcharge Funds
Utah	LIHEAP Allotment
Virginia	LIHEAP Allotment
Connecticut*	LIHEAP Allotment
Delaware*	LIHEAP Allotment
Idaho*	LIHEAP Allotment
Massachusetts*	LIHEAP Allotment
Minnesota*	N/A
Montana*	LIHEAP Allotment
Nevada*	N/A
North Dakota*	N/A
Pennsylvania	N/A
Rhode Island	N/A

* Indicates states offering furnace retrofit or tune-up programs through their DOE Weatherization Assistance Programs.

Solar Energy & Energy Conservation Bank (Bank)

The Department of Housing and Urban Development (HUD) Bank residential and multi-family conservation matching grants provide funds to states for grants that pay up to 50% of the cost of energy conservation improvements. These grants are available to owners and tenants of residential buildings. To qualify for a grant, an owner's or tenant's income must be under 80 percent of the median area income. Maximum residential grants are up to 50 percent of the cost of installing the conservation measures; $1,250 for a one unit dwelling, $2,000 for a two unit dwelling, $2,750 for a three unit dwelling, and $3,500 for a four unit dwelling. The maximum multi-family grant is $400 per unit, or 20 percent of the cost of purchasing and installing the conservation measures, whichever is less.

HUD funds this program which is designed to reduce the cost of energy in residential dwellings, primarily for homes of low- and moderate-income people. Funds are used to reduce the interest rates on loans or to reduce the loan principal.

TABLE 2-18

HUD Solar Energy and Energy Conservation Bank, FY 1984

	1984 Funding	
Alabama	$125,000	
Alaska		
Arizona	$270,000	
Arkansas	$1,092,000	&
California	$2,514,000	
Colorado	$492,000	
Connecticut	$1,205,000	
Delaware		
D.C.	$357,000	=
Florida	$1,254,000	
Georgia	$896,000	
Hawaii	$125,000	
Idaho	$509,000	
Illinois	$1,485,000	
Indiana	$1,811,000	
Iowa	$1,051,000	
Kansas	$614,000	
Kentucky	$730,000	
Louisiana		
Maine	$574,000	
Maryland	$1,089,000	
Massachusetts	$2,250,000	
Michigan	$1,644,000	
Minnesota	$2,297,000	=
Mississippi		
Missouri	$1,316,000	
Montana	$430,000	&
Nebraska	$750,000	
Nevada	$163,000	
New Hampshire	$427,000	
New Jersey	$866,000	
New Mexico	$560,000	&
New York	$1,104,000	
North Carolina	$974,000	
North Dakota	$162,000	
Ohio	$3,645,000	&
Oklahoma	$632,000	
Oregon	$783,000	
Pennsylvania	$3,008,000	
Rhode Island	$398,000	
South Carolina	$700,000	
South Dakota		
Tennessee	$1,042,300	@
Texas	$1,350,000	
Utah	$330,000	
Vermont	$324,000	
Virginia	$1,732,000	
Washington	$1,042,000	
West Virginia	$287,000	
Wisconsin	$1,881,000	
Wyoming		
Total	$46,290,300	

Note:
@ Includes an allotment from LIHEAP
& Includes Oil Overcharge Funds
= Includes Private Contributions

The Bank's program has been met with mixed feelings. Several states said the program's appeal was its ability to reach people whose incomes were too high to qualify for the DOE Weatherization Program but too low to be able to afford conservation improvements. Other states like financing through the Bank because it allows conservation measures not available under the DOE Program. Contrary to many favorable comments, several states feel the program is a failure due to stringent and ambiguous regulations. Grants to landlords are criticized for being inappropriate assistance to higher income persons. Others feel this is essential since so many of the nation's low-income families are housed in poorly weatherized rental units.

Thirty-three of the 46 states participating in the Bank program offer residential and multi-family conservation matching grants.

TABLE 2-19

States With HUD Bank Matching Grant Programs, FY 1984

Alabama
Arkansas
California
Colorado
Connecticut
District of Columbia*
Florida
Georgia
Idaho
Indiana
Kentucky
Maine
Maryland
Massachusetts*
Michigan*
Minnesota
Nebraska
Nevada
New Jersey
New Mexico
New York
N. Carolina
Oklahoma*
Oregon
Pennsylvania
Rhode Island
S. Carolina
Tennessee
Texas
Utah
Vermont*
W. Virginia
Wisconsin

* Indicates states which had planned but not implemented residential or multi-family conservation matching grant programs as of September, 1984.

In 12 of these states an effort has been made to provide recipients with a 100 percent grant by matching the 50% conservation grants with other funds such as Community Development Block Grants, LIHEAP transfer funds, state funds, or utility conservation contributions. A few states like Texas have attempted to dovetail matching Bank grants to existing programs such as WAP by using the same subgrantee agencies to install conservation measures.

TABLE 2-20

States That Supplement HUD Bank Matching Grants, FY 1984

State	Supplemental Funding Level	Supplemental Funding Source
Arkansas	$ 200,000	Oil Overcharge Funds
Connecticut	115,000	State Funds
Florida	N/A	CDBG**
Georgia	N/A	CDBG
Massachusetts	1,250,000	State Funds
Michigan	N/A	CDBG
Minnesota	498,000	Private Contributions
Nebraska	N/A	CDBG
New Mexico	100,000	Oil Overcharge Funds
	37,000	State Funds
Oklahoma	N/A	CDBG
Pennsylvania	N/A	CDBG
Texas	730,000	LIHEAP Allotment

** Community Development Block Grant (HUD)

Conservation Loan Programs

Twenty-five states have loan programs to provide low-to-middle income people with funds to purchase and install energy conservation measures. Loans are available to states for these purposes through one of the HUD Bank Programs, but nine states also use their own funds to provide energy conservation loans at or below market interest rates, through the sale of bonds. This strategy is usually inappropriate for very low-income households since it requires some capital investment to participate. The exceptions are loans with very long payback periods that reduce monthly loan payments to equal the cost of energy saved. Deferred payment loans, where the borrower postpones paying interest and/or the principal for several years, may also be appropriate for some low-income homeowners.

The biggest advantage of implementing conservation loan programs is their ability to leverage limited funds into millions of dollars worth of conservation improvements.

TABLE 2-21

State Funded Conservation Loan Programs
FY 1984

State	Program Name	Funding Level*	Funding Source
Alaska	Residential Energy Conservation Loan Program	$ 2,500,000	State Bonds
	Alternative Technology and Energy Loan Program	Uses the same funding as above	State Bonds
Connecticut	Energy Conservation Loan Program	17,000,000	State Bonds
	Multi-Family Energy Loan Demonstration	Uses the same funding as above	State Bonds
	Heating Conversion Loan Program	Uses the same funding as above	State Bonds
Maryland	Home and Energy Loan Program	$ 600,000	State Bonds
Massachusetts	Home Improvement Loan Program	2,200,000	MHFA General Funds, reserve account, and Oil Overcharge Funds
Michigan	Home Improvement Loan Program	6,778,000	State Bonds and State General Funds
Minnesota	Home Energy Loan Program	23,545,000	State Bonds

State	Program Name	Funding Level*	Funding Source
New Jersey	Oil Heated Home Loan Program	2,000,000	State Bonds
Oregon	State Home Oil Weatherization Program	400,000	State Funds
Wisconsin	Housing and Neighborhood	34,312,000	Tax-exempt housing bonds
	TOTAL	$ 89,335,000	

* Includes Connecticut and Wisconsin funding levels for more than one year.

The Solar Energy and Energy Conservation Bank has one loan subsidy program to reduce interest rates on loans or reduce the loan principal. Conservation loan subsidies through the Bank help moderate-income persons whose homes need weatherization but do not qualify for outright grants. These loan subsidies are available to owners and tenants of residential and multi-family buildings. To qualify, an owner's or tenant's income may not exceed 150 percent of the area's median income. The maximum amount of a residential loan subsidy depends upon an owner's income and the number of units in the building. Maximum multi-family loan subsidies are 20 percent of the cost of purchasing and installing the conservation measures up to $400 dollars per dwelling unit. Since landlords benefit from multi-family loans, program regulations attempt to prevent owners from raising rents to pay for the loans once the conservation improvements are installed. This may be difficult to enforce.

States which offer the conservation loan subsidies have several options in designing the program. One option is to dovetail the Bank program into existing programs. In Maryland, conservation loan subsidies are used in conjunction with the state's Home and Energy Loan Program (HELP). HELP funds are used to issue loans and the Bank funds are used to buy down the interest to a lower rate. Rhode Island and Pennsylvania have also attempted to dovetail the loan subsidies into existing programs. Ohio's Energy Conservation Bank Program uses an innovative administrative approach. The state formed the Ohio Energy Action Corporation (OEAC) to administer the program. The OEAC board of directors is made up of people from participating lending institutions and service companies. The use of a not-for-profit corporation avoids many bureaucratic problems states face. In this fashion administrative costs involved with the design of a new program are reduced.

The Bank provides flexibility in choosing local application offices. States can administer the loans through a wide range of financial institutions. The majority of states have chosen commercial banks, savings and loans, and credit unions, but a few states offer them through utilities, neighborhood housing authorities, and state and local government offices.

How loan subsidies are applied is another area where states have influence. States can choose between subsidies in the form of reduced interest, a buy down on principal, or they may leave it up to the financial institution issuing the loan. Of the states which have implemented residential conservation loan subsidies, 12 use the subsidy as a buy down on principal, six use it to reduce the interest, six leave it up to the discretion of the financial institution issuing the loan, and one state, Massachusetts, offers both. Table 2-22 lists the 31 states offering residential conservation loan subsidies.

TABLE 2-22

States Offering Residential and Multi-Family Conservation Loan Subsidies, FY 1984

Alabama*
Arkansas
California
Connecticut
District of Columbia*
Florida*
Georgia
Illinois
Idaho
Indiana
Iowa
Kansas
Kentucky
Louisiana*
Maine
Michigan
Minnesota
Missouri
Montana
Nebraska
New Hampshire
New Mexico
New York
North Carolina
Ohio
Pennsylvania
Rhode Island
South Carolina
Utah
Vermont*
Virginia

* Indicates states which had planned but not yet implemented residential or multi-family conservation loan subsidies.

Conservation Income Tax Credit Programs

Federal and state conservation income tax credits are open to all income categories. The U.S. Internal Revenue Service provides a tax credit for conservation which is available to all U.S. citizens, including renter home improvements. Items that qualify for the tax credit include insulation, furnace replacement burners, mechanical furnace ignition systems, caulking, weatherstripping, and other approved items installed on the principal residence. The credit is for 15 percent of the first $2,000 spent on purchasing and installing qualified conservation measures up to a maximum of $300 and the credit is deducted from the federal income tax owed. Low income people rarely are able to take advantage of these credits because the program requires that the applicant purchase or finance the weatherization improvement before they receive the credit.

Ironically, the federal energy conservation tax credit is the largest single source of federal expenditure for energy conservation, yet it is not geared at all to low income households. The credits total approximately $305 million annually and about three million taxpayers have taken advantage of the program each year. It is slated to expire by the end of 1985.

Five states currently offer their own state income tax credits for the installation of conservation materials in residential (and in some cases nonresidential) buildings. Like the federal tax credit, state tax programs require applicants to purchase or finance the weatherization improvements before they receive the tax credit. Again, many low income people are unable to participate. The percentage of the cost of purchasing and installing conservation measures covered by the tax credit varies in each of the five states as illustrated in Table 2-23. Total tax credit levels were not available from the sources contacted for the study.

In addition to the conservation tax credits, eleven states (and the federal government) offer an alternative energy tax credit for installation of improvements such as solar heating devices. However, the majority of these credits are not a feasible solution for low-to-moderate income people who wish to reduce their energy bills, due to the high cost of most alternative energy systems, and so they are not included in this report.

TABLE 2-23

1984 State Conservation Tax Credit Programs

State	Name of Program	Income Tax Credit*
California	California Conservation Tax Credit	40% up to a maximum of $600
Colorado	Colorado Energy Conservation Tax Credit	20% up to a maximum of $400
Hawaii	State of Hawaii Tax Incentives (conservation)	Maximum of $30
Kansas	Kansas Incentives for Residential Insulation	50% up to a maximum of $500
Ohio	Ohio Home Improvement Credit	5% up to a maximum of $65

* Percentage of cost of purchasing and installing conservation measures which may be taken as an income tax credit.

Conservation Education Programs

Conservation education includes all programs which attempt to change the consumer's energy use practices to save energy. The federal government offers several conservation education programs such as the Department of Energy's Residential Conservation Service (RCS) and the Energy Extension Service (EES). Energy audits are a key energy education tool used to provide on-site inspection of dwellings using procedures approved by a state or federal government entity. Audits provide information on the rate of energy consumption, details on energy conservation measures and procedures which can reduce energy consumption. It can also include the cost of installing energy conservation measures.

In 1978, with the passage of the National Energy Conservation Policy Act (NECPA), each state was required to establish a Residential Conservation Service to encourage home energy audits. Audits can be performed by utilities or professional auditors and homeowners are required to pay a maximum audit fee of $15. Actual total costs of the audits often amounts to over $100 per audit. RCS was operational in 40 states as of April, 1983, and over two million audits have been performed.

The RCS program has prompted some utilities to establish conservation programs which would not otherwise have been initiated. For most households in the country, the RCS is the only source of inexpensive audits. Some utilities are enthusiastic about it because it is a means of clarifying why fuel bills are so high and what can be done to reduce them. According to a study conducted by the Department of Energy in 1983, some consumers seem to need greater incentives to actually make the suggested improvements. RCS respondents tend to be wealthier, better educated, and own their own homes. Since utilities recover much of the RCS program costs through their rates, the resulting effect is an income transfer where lower-income groups end up paying higher fuel bills to help cover the costs of the higher-income groups' energy audits.

In order to get more low-income people to participate, some states have dropped the $15 fee for low-income households. Other states are attempting to use the RCS audit program to inform households about the available low-income weatherization financing programs. According to a 1983 Department of Energy survey, the following states were responsible for 73 percent of all energy audits performed nationally, and 70 percent of all reported utility energy audit expenses:

California*
Colorado
Connecticut
Florida*
Massachusetts*
Michigan*
Minnesota*
Oregon*
Vermont
Wisconsin*

* Seven of the ten states shown were identified as having strong participation in utility conservation programs.

The Energy Extension Service (EES) began in 1977, and by 1984 all 50 states were using funds from DOE for various EES programs. The program encourages the reduction of energy consumption by changing energy use habits and by converting to renewable energy sources. The program also attempts to reduce the impact of fuel shortages and price increases on small consumers through technical assistance and information programs. Typical services include energy hotlines, demonstrations, workshops, exhibits, and publications, but funds may not be used to purchase any weatherization/conservation materials. Although this program is barely covered in the energy survey it should not be overlooked since changing consumer behavior is a proven tool in reducing energy consumption.

As shown, there is a wide range of federal and state funded weatherization conservation activities which may benefit low income households. From grants to low-interest loans to education, these programs have as their main objective energy savings through decreased consumption. The next section briefly describes conservation programs sponsored and funded by utilities. There are also numerous local and grassroots efforts beyond the scope of this study deserve further study.

Utility Energy Assistance Programs

While the federal government was making it a national goal to conserve and lower the consumption rate of our natural energy resources, states like Florida, California, Oregon, and Washington began to look at "conserved energy" as the newest, cheapest form of energy available. This was especially true in states that were growing fast in population, were most dependent upon oil for generating power, and/or were exhausting sources of cheap water power. The value of conserved energy is viewed as a commodity -- as an available source of energy. Every customer is seen as a potential "producer" of conserved energy, through the installation of weatherization and conservation measures and prudent energy use habits.

A second step in conserving energy was to take part of the value of a company's avoided capacity -- the value of postponing the need for new power plants, reducing peak load, and conserving natural resources -- and use part of the "saved energy" costs to finance or pay for conservation installations. By lowering energy usage through conservation, all utility customers benefit in the long run. Part of the cost of weatherizing homes can justifiably be added to a utility's rate base so the thinking goes. While conservation participants benefit directly from reduced energy consumption and lower utility bills, all utility customers benefit indirectly from the reduced need for future investment in power plants conservation of natural resources, and perhaps even through reduced uncollectible accounts.

Utilities arrange to install energy conservation measures for customers only if it is "cost effective," meaning that the item installed saves a specific amount of energy during its useful life. It must improve the space heating and energy utilization efficiency of a dwelling and in most cases must pay for itself in saved energy within five to nine years. In a sense, the weatherized home discount electric rates offered in North and South Carolina by Duke Power encourage the same consumer behavior; only it places the "reward" in a permanent rate discount.

Utilities in the following states were identified by the Energy Program staff as having the most active utility weatherization and conservation programs. This covers a wide range of activities from full weatherization grants, zero percent or low interest loans, weatherization rebates and low cost -- cost conservation improvements. The utility programs are usually the result of state legislation or regulatory commission orders. Although utilities were initially reluctant to participate, the commissions surveyed felt utilities have changed considerably and now tend to take pride in their conservation efforts. They have developed innovative programs for their service areas.

TABLE 2-24

States With Strong Utility Weatherization/ Conservation Programs

California
Florida
Idaho
Illinois
Oregon
Maine
Massachusetts
Minnesota
Montana
New York
North Carolina
Washington
West Virginia
Wisconsin

There are trade-offs involved by including utilities in conservation efforts. First, utilities may be reluctant to spend time and resources on this activity. They may be especially hesitant if there is no profit in it. This problem can be resolved by giving utilities the same rate of return on energy conservation loans as they get for providing service. Another concern argued by utilities not experiencing an energy shortage is that conservation in general may be good for society, but it is not good for the utility or its customers, at least in the short run.

Another aspect in accepting or rejecting utility weatherization programs is the allocation of the costs incurred by a program. Do all customers benefit equally from the conserved energy? In Michigan, a lobby composed of industrial and commercial utility customers argued successfully that costs of residential conservation should be borne only by residential customers. Finally, financial institutions, contractors, and the trade unions were actively against utilities taking business away from them. The National Energy Act has been amended to limit utility involvement in providing installation of conservation measures. To avoid confrontation, utilities contract to have the work done, and loans are usually managed through regular financial institutions.

Those who advocate utility involvement feel energy conservation is necessary now, for all utilities, in spite of temporary surpluses. One leading Public Utilities Commission official of California, active in that state's successful utility conservation programs, feels many states have their collective heads in the sand. "Depletion of our country's natural resources is not going to go away, and the time to conserve is now," he states. A second, positive viewpoint comes from the grassroots level. Since the need for energy conservation is great, especially in older central cities, community organizations have successfully taken on the role of contractor for utility programs. They hire local unemployed people and train them to conduct energy audits and perform weatherization improvements. Cleveland, Ohio, for example, has a program like this. Thus, conservation is seen as a potential jobs program benefiting utility customers, while boosting the local economy. Much housing in the most need of repair is located in areas with the greatest poverty and unemployment. It is thought to be a perfect match.

Whether or not utility involvement in energy conservation will continue to grow depends upon what state legislatures and regulatory commissions decide to do. So far, weatherization funding has come mainly from federal sources -- sources whose future remains uncertain. There was a marked increase in utility-sponsored weatherization and conservation programs during the past three years and it offers potential for future growth.

Rates

Allocating part of the cost of providing energy to low income households can be accomplished by reducing the rates charged per unit (or block) of electricity or gas. A special rate can be "targeted" directly to assist low income or elderly households by providing a separate, lower energy rate for those customers called lifeline rates. Lifeline rates imply minimal amounts of energy necessary for the health and well being of certain customers should be offered at affordable prices, even if it results in charging part of the cost to other customer classes, such as residential, industrial or commercial customers.

Targeted rates normally follow one of two styles. The first simply discounts a customer's bill. An example of this is used in West Virginia, where eligible households receive a 20 percent overall discount on their gas and electric bills during winter months. The second type of targeted rate reduces the first increment of energy consumed or reduces the service charge in order to provide an essential or life sustaining amount of gas or electricity at a more affordable price. Targeted rates in the following states offer a discount:

Alabama
Massachusetts
New Hampshire
North Carolina
Rhode Island
Wisconsin

Revenues to repay utilities for providing a discounted rate can come from either a state's general revenues as in West Virginia, or through the rates charged to other utility customers as done by the six states listed. If other utility customers pay for the utility revenue shortfall, it is usually charged to all other customer classes including commercial and industrial customers. Low-income senior citizens are a favored residential class to receive targeted lifeline rates. The rates are usually called Supplement Security Income Rates. These special rates for the elderly are offered in:

Alabama
Massachusetts
New Hampshire
North Carolina
Rhode Island

Low income eligible customers, regardless of age, are targeted to receive reduced utility rates in New Hampshire, West Virginia and Wisconsin.

Conservation rates are special rates offered in some states. They are also called "inverted rates" or "non-targeted lifeline rates." In any case, they are structured so the first block of energy consumed is priced lower than subsequent blocks. For example, the first 400 kwh of energy consumed may be priced less than the next 400 kwh. In the case of non-targeted lifeline rates (available to all customers), the purpose may be to provide life sustaining levels of electricity or gas at affordable prices. A conservation rate may look identical, but the goal might be to reduce overall energy consumption or to forestall building new generating plants. Another goal of conservation rates may be to reduce the expensive peak loads of power demand. This is accomplished by having cheaper rates during off-peak hours, usually at night. To encourage conservation through rate design, two states reward customers in a very different way. In North and South Carolina, utilities offer approximately five percent discounts to residential customers whose homes are certified as energy efficient.

Conservation rates will likely increase in the future as states seek incentives to lower energy costs. Low income utility customers definitely benefit from these rates as long as they can keep consumption levels low. A conservation rate may, however, work against low-income households that rely, for example, upon high energy consuming electric space heaters or who live in unweatherized homes. California's inverted rate structure for all regulated gas and electric utilities is especially interesting since the first block is quite large by design -- covering basic minimal energy needs.

By 1984, targeted lifeline rates are a very small part of energy assistance strategies in most states. A look at lifeline rates reveals that rate discounts are for electricity in all but three states -- Massachusetts, Montana and Wisconsin. Electricity is not the prime heating source for most customers, especially in cold weather states. The discounts to customers are usually small -- amounting to less than $40 per year. Only the discounts offered in West Virginia, Massachusetts and New Hampshire appear to exceed $100 per year, but West Virginia's discount has no conservation incentive since benefit levels are determined by consumption levels.

TABLE 2-25

States with Special Rates, By Type, 1984

Targeted Lifeline

Senior Citizen:

- **New Hampshire - Public Service Company of New Hampshire
- North Carolina - Duke Power
- Rhode Island - Narragansett Electric Company
- Alabama - Alabama Power Company
- Massachusetts - Four utilities

Low Income:

- Massachusetts - Four utilities (SSI)
- New Hampshire - Public Service Company of New Hampshire
- West Virginia - All electric and gas utilities
- Wisconsin - Madison Gas & Electric

Small Use Rates

- Oklahoma - All electric and gas utilities
- Arkansas - Arkansas Power and Light
- Illinois - Illinois Power Company
- Minnesota - Northern States Power

Conservation or Inverted Rates

- *New Hampshire - Public Service Company of New Hampshire
- Vermont - All electric utilities
- Washington - All electric utilities
- *Arizona - More than one electric utility
- California - All gas and electric
- Montana - All gas utilities at least one electric utility

Weatherized Homes Rate Reduction

- North Carolina - All utilities
- South Carolina - Carolina Power & Light Company

* Second 400 kwh higher than third.

** Public Service Company of New Hampshire has more than 35 different experimental rate and load management programs in effect.

Since 1981, some states have either eliminated or "grandfathered" targeted lifeline rates, allowing no new customers to participate after a specified date. An argument against targeted rates is that revenue shortfall caused by providing discount rates discriminates against other ratepayers picking up the costs. They are being "taxed" without representation and without the usual safeguards of a legislative budgeting process. Further, many state regulatory commissions are constitutionally prohibited from favoring one class or type of customer over another. Court decisions have struck down commission orders to implement lifeline rates in states such as Utah. Utilities are not supposed to be government welfare agencies and when utilities are responsible for low income customers, they are being asked to perform a social welfare service. They can be compared to grocery stores that provide food but aren't responsible for feeding the hungry, and utilities may not be efficient in providing this kind of social welfare assistance.

Low-income households serviced by non-regulated utilities or those dependent upon oil and bottled gas for home energy needs won't benefit from regulatory commission rate orders. This argument may be only partially true because many non-regulated utilities are active in providing targeted lifeline rates -- but this still leaves large gaps in energy assistance.

On the other hand, targeted rate reductions offer an easy and bureaucratically simple method of assisting low-income or elderly customers in paying their electric or gas bills. Once a customer has completed the application process, he/she simply pays the reduced rates as charged. An experimental rate by the Public Service Company of New Hampshire is being run similar to the state's Low Income Energy Assistance and Weatherization programs. This is a case where an existing energy assistance program is used as a model for a new program. If rate reductions are kept within a substantial first block to cover basic consumption needs, then targeted rates have built-in conservation incentives.

Basic energy needs usually include heating, lighting, cooking, and energy to run prescribed medical equipment. These relate most directly to matters of health, welfare, and safety. According to a recent University of Pennsylvania survey of utility users, people surveyed overwhelmingly support energy assistance to the low-income population. In addition, the strongest most consistent response was that private sector delivery systems such as discount utility rates (i.e. targeted lifeline rates) for certain groups and temporary credit extensions were favored the most. This is one survey in one state and may not apply to other areas, but it also might point towards energy assistance strategies that make sense to taxpayers/ratepayers who eventually must pay for the programs.

Special rate reductions, especially targeted lifeline rates, offer an alternative to most existing direct assistance programs. The pros and cons need to be carefully considered. However, it is unlikely that lifeline rates will become an important energy assistance strategy without a change of direction by state legislators.

Disconnection Restrictions

The last area of energy assistance covered in this report deals with the regulation of utilities in disconnecting service for those whose bills are overdue and who have no ability to pay. These are regulatory commission rules and are implemented in a variety of ways. Although disconnect policies don't seem like "energy assistance programs," they are the first place where need becomes apparent, and a customer without heat in the dead of winter is a customer for whom all other programs may be too late.

When the Public Utility Regulatory Policies Act (PURPA) was passed in 1978, standards for termination of electric and gas service were suggested. The standards identified were to be considered for adoption by each state regulatory body. Included in the proposed regulations were protections during any period when termination would be especially dangerous to health, during severe winter weather. The establishment of utility bill installment plans based flexibly on the amount owed, ability to pay, time of outstanding debt and other factors was also suggested.

Over 40 states and the District of Columbia have adopted some form of restrictions, although many of them are narrowly defined and include special treatment for only the most extreme "hardship" cases. In 1984, 21 states were identified by the Energy Program staff that had significant restrictions on disconnection of service during the winter months and/or special payment plans. This compares to a 1982 report that indicates only 16 states had significant winter disconnect regulations. In many cases, these regulations have changed yearly as regulatory commissions seek a compromise between their responsibilities to utility customers, utilities, and society in general.

The advantages of liberal disconnect policies for low-income households are obvious. The major problem with the system is that many customers simply cannot afford to pay their energy bills, either incrementally or in one payment. Low income households are also the least able to pay reconnection fees or service deposits. The result is that many utilities are carrying increasing amounts of bad debt. Eventually, the bad debt is charged to the rate base and all customers end up paying the bills of those unable to pay. This method of assisting the poor is perhaps the most questionable. It is a limbo where either utilities continue to carry bad debt, which is not a prudent business practice, or the costs go into the rate base and other utility customers pick up the tab, usually without knowing it. In this way, other utility customers are providing "charity" without any of the tax advantages. Further, a cycle emerges where the poor become seasonal customers, having service restored in the fall when regulations permit, then dropping out again in the spring when winter protections end. State LIHEAP programs have attempted to deal with this system by saving crisis intervention funds for the spring dropouts. It becomes a "game" where a disconnection notice is needed to receive a crisis payment.

On the other hand, since funding to assist the poor is inadequate, disconnect restrictions fulfill an important role in energy assistance. It has even been suggested that arrearages which accumulate during the winter months be regularly written off at the end of a winter as a regular utility procedure. What began as a strategy to lessen the effects of the increased costs for energy might then become direct energy assistance.

Each state has its own approach to "fair and equitable" disconnect policies. In some states, like Michigan, Illinois, Ohio, Oklahoma, Minnesota and Pennsylvania a very liberal attitude is reflected by the commissions in assuring that customers will not be without a primary energy source during cold weather months. At the other extreme, a state such as Florida with its warmer climate and high elderly population, offers little protection. Instead its strategy is to direct efforts towards making residences more energy-efficient and, therefore, more affordable. Most states fall somewhere in between, but as evidenced in the large number of states with winter disconnect restrictions commissions are increasingly attempting to create a safety net through regulatory powers.

The states listed below have disconnect regulations that are particularly interesting or innovative. Please refer to Disconnect Policies in the Fifty States, 1984 Survey for more information:

Arkansas
Connecticut
Idaho
Illinois
Iowa
Kansas
Kentucky
Maine
Maryland
Michigan
Minnesota
Missouri
Montana
New Hampshire
Ohio
Oklahoma
Pennsylvania
Wisconsin

STATE TRENDS IN ENERGY ASSISTANCE

CHAPTER 3

STATE TRENDS IN ENERGY ASSISTANCE

Beginning with the first Energy Program survey in 1979, the College of Urban Affairs has documented state energy assistance activities in three key areas: direct home energy assistance, weatherization/conservation, and special utility rates. This chapter compares these state funded initiatives, especially between 1981 and 1984.

A comparison of state funded programs shows the largest increase in new programs has occurred in weatherization/conservation efforts. However, 18 of the 31 programs are for loans or tax credits which are often unaffordable to low-income households. While the number of states with direct home energy assistance programs has changed little, funding for programs has increased by thirty percent since 1979. In the area of special rates, much more experimentation was going on in 1979 than 1984. The number of states with special rates has increased slightly since 1981 but only seven states target rates specifically to low-income or low-income elderly households in 1984, compared with eight in 1981.

TABLE 3-1

Comparison of State Energy Assistance Programs
1979, 1981 and 1984

	Direct Assistance*			Weatherization/ Conservation*			Rates*		
	1979	1981	1984	1979	1981	1984	1979	1981	1984
No. of States with Programs	9	11	9	4	14	19	17	13	18
No. of Programs	11	13	15	6	20	31	26	15	NA**

* These totals were adjusted from the previous surveys to reflect implemented and state funded low income energy assistance programs. It excludes individual utility efforts and solar energy programs.

** Eight states were identified that require all regulated electric and/or gas utilities to provide special rates, usually conservation.

The remainder of this chapter covers each of the three areas, beginning with state funded home energy assistance programs.

State Funded Direct Assistance

While problems associated with energy costs have continued since the Energy Program's first survey in 1979, state funded direct aid programs have not kept pace with the needs of low-income households for supplemental home energy aid. When the 1979 survey was completed, 14 states proposed 21 direct assistance programs. Of that number 11 programs in 9 states were eventually authorized. In 1981, 11 states implemented 13 programs, and by 1984, nine states administered 15 programs. Five states (Connecticut, Colorado, Massachusetts, Michigan and New Jersey) now have multiple state funded programs. Tables 3-6, 3-7, and 3-8 shown at the end of this section profile state direct assistance programs for the years 1979, 1982 and 1984.

State administrators contacted during the telephone survey indicated that pressure to fund energy assistance programs has dwindled for three reasons. First, there has been a continuation of seven state programs since 1981. Second, starting in FY 1980, substantial federal monies for low-income home energy assistance were introduced, thereby reducing the pressure on states to fund their own programs. Third, Oil Overcharge Funds provide another funding source for states to use to help low-income households pay their energy bills.

A look at state programs between the three survey years shows which state funded programs have been re-authorized since 1979. Connecticut, Michigan and Ohio are the only states identified with a continuous commitment to state programs since 1979. Missouri and Rhode Island have dropped their programs since 1981 and Oregon and Kentucky eliminated energy assistance between 1979 and 1981. Of the states with programs since 1981, only Massachusetts has decreased the funding level.

The major changes in direct aid programs by type for the years 1979, 1981 and 1984 are:

-- There were no loan programs in 1981 or 1984.

-- Energy allowance programs doubled from 1979 to 1981 then decreased from 10 to 7 from 1981 to 1984.

-- State supplements to federal programs didn't exist in 1979, but increased from one to four between 1981 and 1984.

-- Winter emergency programs changed from three in 1979 to one in 1981 and to two in 1984.

-- Tax credit programs were offered in two states in 1979 and 1984, but in only one state in 1981.

TABLE 3-2

Direct Aid Programs
Total State Funding Levels
1979, 1981 and 1984

State	1979	1981	1984
Colorado		$3,400,000	$7,923,516
Connecticut	$ 2,355,000	1,100,000	1,500,000
District of Columbia			2,662,000
Indiana	32,000,000		6,741,100
Kentucky	5,000,000		
Massachusetts		20,500,000	17,000,000
Michigan	38,000,000	28,500,000	57,700,000
Missouri		1,400,000	
New Jersey		21,900,000	55,234,000
New Mexico		1,000,000	1,088,000
Ohio	46,000,000	37,300,000	42,000,000
Oregon	7,000,000		
Rhode Island		40,000	
Wyoming	2,500,000		
TOTAL	$132,855,000	$115,140,000	$ 191,848,516

* 1979 PA Fuel Assistance, 1981 AK Utility Allowance, and 1981 NY Public Assistance energy allowances funding levels were not available.

Comprising almost one half of state funded programs, home energy allowance programs clearly remain the preferred method for delivering direct energy assistance. Not surprisingly, supplements to federal programs, nonexistent in 1979, now represent about one-fourth of all state funded direct assistance programs. This type of program offers administrative efficiency since the delivery system is already in place.

TABLE 3-3

State Funded Direct Assistance Programs
By Type, FY 1979, 1981, 1984

	# of Programs		
	1979	1981	1984
Home Energy Allowance	5	10	7
Supplement to Federal Program		1	4
Winter Emergency	3	1	2
Tax Credit	2	1	2
Loans	1		

The break-out of eligibility requirements for state programs listed in Table 3-4 shows the following changes between 1981 and 1984:

-- Programs exclusively targeted for low-income elderly or elderly have disappeared by 1984.

-- Programs targeted only for those on public assistance decreased from three to two.

-- Programs targeted to those who are low-income elderly or disabled increased from two to six from 1981 to 1984.

-- Programs for all low-income populations regardless of age, decreased from six in 1979 to four in 1981 and then increased to seven in 1984.

Combining low-income elderly or disabled categories with the categorically assisted programs shows that over 50 percent of all programs are targeted to specific population groups. States have opted to single out specific low-income groups for the delivery of energy assistance services. Those on public assistance, such as AFDC households, already have certified need. The low-income elderly and disabled represent, for the most part, groups on fixed incomes for whom it has remained politically popular to provide help.

TABLE 3-4

Direct Aid Eligibility Criteria Comparison
State Programs -- 1979, 1981, 1984

Eligibility	1979	1981	1984
Low-Income Elderly	2	2	
Elderly		1	
Low Income	6	4	7
Low-Income Elderly & Disabled	3	2	6
Customer of Rural Electric Companies		1	
Categorical Eligibility (Recipient of other forms of public assistance)		3	2
TOTAL	11	13	15

Although the total number of states which appropriated revenue for energy assistance increased from 1979 to 1981 and then decreased in 1984, the total amount of appropriated funds increased a substantial 30 percent between 1979 and 1984. However, the price of natural gas, used by roughly 60 percent of the nation's poor for home heating, has increased approximately 118 percent between the years 1979-1983, according to the U.S. Department of Labor.

The prospect of more states granting aid for energy payments is unlikely in the near future. During the state telephone survey, all but two states indicated there would be no funds added to energy programs. Only Utah has initiated a new state program to be implemented in FY 1985 -- House Bill 4 -- for which $300,000 has been appropriated. Each state dollar will be leveraged by $2 contributed by customers of Mountain Fuel Supply Company and Utah Power Power and Light. The Red Cross will administer the program while energy providers have agreed to underwrite its administrative costs and participants will be required to apply for benefits through the state's federally funded Home Energy Assistance Target Program. This is an example of a new hybrid of program requiring cooperation between the states, private industry and not-for-profit organizations.

State funded direct home energy assistance will probably not increase substantially unless LIHEAP funds are reduced. Additional state funds generated for energy assistance are likely to go into weatherization/conservation efforts.

TABLE 3-5

Federal Appropriation Level for Low Income Energy Assistance 1981-1986

Year	Funding Level	Program
FY 1981	1.85 billion	Low Income Energy Assistance Program (LIEAP)
FY 1982	1.875 billion	Low Income Home Energy Assistance Program (LIHEAP)
FY 1983	1.975 billion	LIHEAP
FY 1984	2.075 billion	LIHEAP
FY 1985	2.10 billion	LIHEAP
FY 1986	2.10 billion	LIHEAP

TABLE 3-6

FY 1979 STATE FUNDED DIRECT AID PROGRAM COMPONENTS

State	Program Name	Program Type	Funding Level	Eligibility	Benefit Type	Max. Benefit
CT	Low-Income Fuel Assistance Program	Utility Allowance	$1,300,000	Low Income	Applicant Cash	$250
	Emergency Fuel Aid Program	Winter Emergency	$755,000	Low Income	Applicant Cash	N/A
IN	Utility Bill Adjustment	Utility Allowance	$25,000,000	Low Income (Low-income elderly -- preferred eligibility)	Heating Bill Reduction	15 or 30%
	Emergency Energy Assistance	Utility Allowance	$7,000,000	Low Income	Vendor Payment	$250
KY	Energy Cost Assistance Program	Utility Allowance	$5,000,000	Low-Income Elderly and Disabled	Two-Party Check	$80
MI	Lifeline Tax Credit Program	Tax Credit	$38,000,000	Low Income	Tax Refund or Payment Where No Tax is Paid	$370
OH	Energy Credits Program	Utility Allowance	$46,000,000	Low-Income Elderly and Disabled	Applicant Cash or Heating Bill Reduction	$125 25-30%
OR	Elderly Utility Rate Relief Program	Tax Credit	$7,000,000	Low-Income Elderly	Refund	$50 (over two year period)
PA	Fuel Assistance Program	Winter Emergency	N/A	Low-Income Elderly	Applicant Cash	$75

State	Program Name	Program Type	Funding Level	Eligibility	Benefit Type	Max. Benefit
WI	Emergency Fuel and Utilities Assistance Program	Winter Emergency	N/A	Low Income	Loans	$200
WY	A-65 Warrant Program	Warrants for Refund of Sales or Property Taxes	$2,500,000	Low-Income Elderly and Disabled	Applicant Cash	$500

TABLE 3-7

FY 1981 STATE FUNDED DIRECT AID PROGRAM COMPONENTS

State	Program Name	Program Type	Funding Level	Eligiblity	Benefit Type	Max. Benefit
AL	Power Production Cost Assistance	Utility Allowance	N/A	Rural Electric Utility Customers	Lower Residential Rates	N/A
CO	Heat Credit	Tax Credit	$3,400,000	Low Income Elderly	Tax Refund or Increment in Old Age Pension Checks	$160
CN	Fuel Banks	Utility Allowance	$300,000	Low Income	Vendor Payment	$150
	State Crisis Intervention Fund	Winter Emergency	$1,100,000	Low Income	Vendor Payment	$150
MA	State Supplement to LIEAP	Supplement to Federal Program	$20,500,000	Low Income	Vendor Payment or Applicant Cash	$325
MI	Voluntary Heating Fuel Program	Utility Allowance	$28,500,000	ADC or GA Recipients	Vendor Payment	$300
MO	Utilicare	Utility Allowance	$1,400,000	Low-Income Elderly or Disabled	Vendor Payment	$150
NJ	Lifeline Credit Program	Utility Allowance	$21,900,000	Low-Income Elderly	Vendor Payment	$125
NM	Low-Income Energy Assistance	Utility Allowance	$1,000,000	Low Income	Vendor Payment or Applicant Cash	$400

State	Program Name	Program Type	Funding Level	Eligiblity	Benefit Type	Max. Benefit
NY	Senate Bill 1007	Utility Allowance	N/A	Public Assistance Recipients	Applicant Cash	15% Increment in Assistance Checks
	Senate Bill 4659-C	Utility Allowance	N/A	Public Assistance Recipients	Vendor Payment	N/A
OH	Energy Credits Program	Utility Allowance	$37,300,000	Low-Income Elderly or Disabled	Applicant Cash or Heating Bill Reduction	$125 or 25-30%
RI	Special Assistance for Older Rhode Islanders	Utility Allowance	$40,000	Elderly	Vendor Payment	$100

TABLE 3-8

FY 1984 STATE FUNDED DIRECT AID PROGRAM COMPONENTS

State	Program Name	Program Type	Funding Level	Eligibility	Benefit Type	Max. Benefit
CO	Old Age Pension Winter Utility Allowance	Utility Allowance	$2,769,516	Low-Income Elderly or Disabled	Applicant Cash	$120
	Heat Credit	Tax Credit	$5,154,000 (1983)	Low-Income Elderly or Disabled	Tax Refund or Payment Where No Tax is Paid	$160
CT	State Appropriated Fuel Assistance Program	Utility Allowance	$1,400,000	Low-Income Elderly or Disabled	Vendor Payment	$400
	Pre-Eligiblity Funding	Winter Emergency	$100,000	Low Income	Vendor Payment	$200
DC	Complementary Energy Assistance Program	Utility Allowance	$2,662,000	Working Parents	Applicant Cash	$1,200
IN	State Allowance for Energy	Supplement to Federal Programs	$6,741,100	Low Income	Vendor Payment	$263
MA	State 1 & 2 Program	Utility Allowance	$2,000,000	Low Income 1 & 2 Member Households (designed for elderly & disabled)	Vendor Payment	$325
	State Supplement to LIHEAP	Supplement to Federal Program	$15,000,000	Low Income	Vendor Payment	$750

State	Program Name	Program Type	Funding Level	Eligibility	Benefit Type	Max. Benefit
MI	Home Heating Credit	Tax Credit	$16,000,000	Low Income	Tax Refund or Payment Where No Tax is Paid	$502
	ADC-Special Heating Allowance	Utility Allowance	$18,500,000	ADC Recipients	Applicant Cash	$172
	Heating Assistance Plan	Supplement to Federal Program	$23,200,000	ADC Recipients	Vendor Payment or Applicant Cash	$900
NJ	Lifeline Credit Program	Utility Allowance	$54,834,000	Low-Income Elderly or Disabled	Vendor Payment or Appicant Cash	$200
	Supplemental Crisis Intervention Program	Winter Emergency	$400,000	Low Income	Cold Weather Gear	$100
NM	LIHEAP	Supplement to Federal Program	$1,088,000	Low Income	Voucher Coupons	$336
OH	Energy Credits Program	Utility allowance	$42,000,000	Low-Income Elderly or Disabled	Applicant Cash or Heating Bill Reduction	$125 25-30%

State Funded Weatherization Programs

The total number of state funded weatherization programs increased dramatically from six programs in four states in 1979, 20 programs in 14 states by 1981, and 31 programs in 19 states by 1984. The types of programs have also changed considerably -- state funded grant programs nearly tripled. There has been a slight increase in tax credits. Weatherization loans have increased by one-fourth between 1981 and 1984 and only one cash rebate program remains.

Statistics for state funding for weatherization programs in 1981 were unavailable in many of the states, especially for weatherization loan and income tax credit programs. Grant program funds were more easily tracked. In 1981, about $26.23 million was spent by states on weatherization grant programs. This increased by 20 percent to $31.34 million by 1984.

The types of weatherization and conservation programs funded with state monies between 1981 and 1984 reveals that in 1981, grants comprised one-fourth of all program types. By 1984, they had jumped to 42 percent. Loans, tax and credits and cash rebates each took a smaller share of total programs. Taken together, they declined from 75 percent of all programs in 1981 to 58 percent in 1984.

TABLE 3-9

State Funded Weatherization Programs
By Type, FY 1979, 1981, 1984

	1979	%	1981	%	1984	%
Grants/Weatherization Services	2	33.3	5	25	13*	42
Reduced/Zero Interest Loans	1	16.6	9	45	12	39
Conservation Tax Credits	2	33.3	4	20	5	16
Cash Rebates	1	16.6	2	10	1	3
TOTAL	6	100.0%	20	100.0%	31	100.0%

* Twelve grant programs supplement federal programs. Eleven of the programs required no capital investment.

Tables 3-13, 3-14 and 3-15 located at the end of this section summarize program information for the three survey years. Examination of these tables reveals that in 1979 only two programs did not require minimal capital investment by applicants. Five grant programs existed in 1981 and jumped to 13 programs by 1984. The jump in funding for weatherization grants reflects the growth in states with supplements to federal grant programs -- from four states in 1981 to 12 in 1984. The maximum size of a grant has also increased and, by 1984, Michigan allowed a maximum grant of $5,000 -- compared to a maximum grant of only $300 in 1981. Eight states also had major repairs programs in place by 1984.

Seventeen grant or loan programs in all were geared to lower income households by 1984. Eligibility requirements ranged from DOE WAP guidelines to below 80% of the area median income. Only five programs carried low income eligibility requirements in 1981 and three existed in 1979.

TABLE 3-10

Eligibility Range, State and Federal Funded Weatherization/Conservation Programs, 1984

<table>
<tr><th>125% of Federal Poverty Guidelines</th><th>150% of Federal Poverty Guidelines</th><th>80% of Median Area Guidelines</th><th>150% of Median Area Guidelines</th><th>No Income Limitation</th></tr>
<tr><td>DOE WAP</td><td></td><td></td><td></td><td></td></tr>
<tr><td colspan="2">LIHEAP, Oil Overcharge and State funded WAP</td><td></td><td></td><td></td></tr>
<tr><td colspan="2">LIHEAP, Oil Overcharge and State funded supplemental WAP (Low Cost, Repairs, Furnace)</td><td></td><td></td><td></td></tr>
<tr><td colspan="3">Solar Energy & Energy Conservation Bank (Conservation Bank)</td><td></td><td></td></tr>
<tr><td colspan="4">Solar Energy & Energy Conservation Bank (conservation loans)</td><td></td></tr>
<tr><td colspan="5">State Conservation Loan Programs</td></tr>
<tr><td colspan="5">State & Federal Conservation Income Tax Credits</td></tr>
</table>

Overall, the 14 state funded loan and tax credit weatherization programs are still targeted to higher income households that can afford a substantive capital investment in making improvements, while the grant and matching grants are more likely to be affordable to low-income households. Table 3-11 shows which states have programs under each program type.

TABLE 3-11

States with Weatherization/Conservation Programs By Type, 1979, 1981, 1984

	Grants/ Weatherization Services	Reduced/Zero Interest Loans	Conservation Tax Credits	Cash Rebates
1979	KY MI	OR	NC OR	OR
1981	AK MN NM ND OH	AK CT ME MD MI MN OR	CA CO HW OR	CA DE
1984	AK CO CT IA ME MA MI MN NY OK OR WY	AK CT MD MA MI MN NJ OR WI	CA CO HW KS OH	OR

As noted in Chapter 2, some states are moving toward combining housing rehabilitation with energy conservation improvements. Community Development Block Grant funds and housing rehab loans made through state housing authorities have been used for some time to provide low-interest loans and grants to fix up older housing stock. Loan maximums used strictly for weatherization improvements tripled from $10,000 in 1981 to $30,000 in 1984. The strategy of combining weatherization and general housing repairs is especially appropriate in cold weather states with older housing stock like those in the Northeast and Midwest.

For many states, the 15% LIHEAP transfer has enabled a doubling of total weatherization funding. In addition, the Oil Overcharge funds added $26 million in 1984 to provide weatherization services and other conservation programs. The impact of these two relatively new funding sources more than doubled the amount of funds available for the DOE weatherization program since 1981. In 1981, only DOE funds were available, and the program appropriation was $175 million. By 1984, DOE funded the program at only $189 million, but the addition of LIHEAP and Oil Overcharge Funds brought the total up to $393 million. The HUD Solar Energy and Energy Conservation Bank program added an additional $43.4 million to states for weatherization programs. Six states supplemented this program with funds from Oil Overcharge, private contributions and LIHEAP, bringing the total to $46.3 million.

TABLE 3-12

Impact of LIHEAP and Oil Overcharge Funds on the Weatherization Assistance Program (000's)

	1979	1981	1984
DOE	$199	$175	$189
LIHEAP			178
Oil Overcharge	—	—	26
TOTAL	$199	$175	$393

In conclusion, total weatherization and conservation funding has increased dramatically since 1981, both through state funded programs and through LIHEAP, Oil Overcharge Funds and the HUD Bank program. State funds spent on grant programs increased modestly while the maximum size of the grants increased substantially in some states. Loan programs have also increased substantially, partly because of the HUD Bank program and partly because of new state funded loan programs. Overall, states are moving towards grant and matching grant programs for low-income residents.

TABLE 3-13

1979 WEATHERIZATION/CONSERVATION PROGRAM COMPONENTS

State	Program Name	Program Type	Funding Level	Funding Source	Eligibility	Max. Benefit	Allowable Activities
KY	Weatherization: Crisis Intervention	Home Weatherization	N/A	N/A	Low Income	$250	Various Weatherization Activities
MI	Low Income Household Home Weatherization	Home Weatherization	N/A	State Funds	Low Income	N/A	Various Weatherization Activities
NC	Home Weatherization Tax Credit (HB 1003)	Tax Credit	N/A	Foregone State Income Tax Revenues	Owner with Tax Liability	$100	Insulation or Storm Windows
OR	State Veterans Weatherization Loan	Loans	N/A	State Department of Veterans Affairs	Veterans	N/A	Various Weatherization Activities
	Weatherization Tax Credit	Tax Credit	N/A	Foregone State Income Tax Revenues	Homeowners	$125	Various Weatherization Activities
	Low Income, Elderly Weatherization Fund	Cash Rebate	$4,000,000 (over 2 yr. period	State General Funds	Low-Income Elderly	$300	Various Weatherization Activities

TABLE 3-14

1981 WEATHERIZATION/CONSERVATION PROGRAM COMPONENTS

State	Program Name	Program Type	Funding Level	Funding Source	Eligibility	Max. Benefit	Allowable Activities
AL	Residential Energy Conservation Program	Grants & Loans	$10,300,000	State General Funds	Owner of up to 4-unit Residence	$300 Grant $5,000 Loan	Recommended by State Energy Auditor
CA	Conservation Tax Credit	Tax Credit	N/A	Foregone State Income Tax revenues	Property Owner	$1,500	Various Weatherization Activities
	Water Heater Replacement Program	Cash Rebate	N/A	N/A	Residential Customers	$960	Solar Water Heaters
CO	Residential Energy Credit	Tax Credit	N/A	Foregone State Income Tax Revenues	Owner/Occupant	$3,000	Conserv. Measures & Renewable Energy Sources
CT	Energy Conservation Loan Program	Loans	$13,000,000	General Obligation Bonds	Owner/Occupant	$3,000	Renewable Energy Sources
DE	Energy Weatherization Grants Program	Cash Rebate	$2,800,000	State General Funds	Family Size & Income	$200	Various Weatherization Activities
HW	Energy Tax Incentives	Tax Credit	N/A	Foregone State Income Tax Revenues	Tax Liability	10% of Cost	Solar Devices, Water Heater Insulation
ME	Energy Conservation Loan Program	Loans	N/A	State Bonds	1-4 unit Residences & Family Size & Income	$10,000	Weatherization & Alternate Energy Sources
MD	Energy Financing Administration	Loans	N/A	Tax Exempt Bonds	Energy Audit	To be determined	To be determined
MI	Home Improvement Loan Program	Loans	N/A	General State Revenue and Revenue Bonds	$16,000 Income & Reasonable Credit Risk	$15,000	Home Improvements, Conservation Activities

State	Program Name	Program Type	Funding Level	Funding Source	Eligibility	Max. Benefit	Allowable Activities
MN	Supplemental Weatherization Program	Supplement to Fed. Program	$12,000,000 biennium	State Funds	Federal Program Participants	N/A	Labor Only
	Home Improvement Loan Program	Loans	N/A	State Bonds	$18,000 Income & Owner/Occupant	$15,000	Home Improvements & Weatherization
	Housing Rehab Loan Program	Loans	$3,500,000	State General Funds	Owner/Occupant & $6,000 Income	$6,000	Home Improvements, Conserv. Measures
	Rental Rehab Loan Program	Loans	$1,000,000	Mortgage Revenue Bonds	Owner of Multi-unit Dwelling	$37,500	General Improvements & Conservation Measures
NM	Home Weatherization Program	Supplement to Fed. Program	$250,000	State General Funds	Federal Program Participants	$200	Additional Services
ND	Home Weatherization Grant Program	Supplement to Fed. Program	$680,000	State Funds	Federal Program Participants	Labor & Materials	Roof & Heating Plant Repair
OH	State Supplemental Labor Program	Supplement to Fed. Program	$9,000,000	State General Funds	Federal Program Participants	N/A	Labor Only
OR	Weatherization Tax Credit	Tax Credit	N/A	Foregone State Income Tax Revenues	Residential Property	$125	Various Weatherization Activities
	Veterans Weatherization Loans	Loans	N/A	State Bonds	Veterans	Varies	Weatherization & Alt. Energy Devices

TABLE 3-15

1984 WEATHERIZATION/CONSERVATION PROGRAM COMPONENTS

State	Program Name	Program Type	Funding Level	Funding Source	Eligibility	Max. Benefit	Allowable Activities
AL	Residential Energy Conservaton Loan Program	Loans	$250,000	State Bonds	Reasonable Credit Risk	$5,000	Conserv. Measures
	Alternative Technology & Energy Loan Program	Loans	Uses same funding as above	State Bonds	Reasonable Credit Risk	$30,000	Alt. Energy & Multi-Fuel Heating Systems
	Low Income Weatherization Program	Supplement to Fed. Program	$6,000,000	State General Funds	Federal Program Participants	N/A	Additional Services, Incidental Repairs
CA	CA Conservation Tax Credit	Tax Credit	N/A	Foregone State Income Tax Revenues*	Property Owner	$1,500	Various Weatherization Activities
CO	Weatherization Assist. Program	Supplement to Fed. Program	$100,000	State Funds	Federal Program Participants (50% of median income)	N/A	Major Repairs
	CO Energy Conserv. Tax Credit	Tax Credit	N/A	Foregone State Income Tax Revenues*	Property Owner	$400	Conserv. Measures
CT	Energy Conservation Loan Program	Loans	$17,000,000[1]	State Bonds	Family Size & Income	$3,000	Conserv. Measures and Alt. Energy Sys.
	Multi-Family Energy Loan Demonstration	Loans	Uses same funding as above	State Bonds	Multi-family Building Owners	$10,000	Conserv. Measures & Renewable Energy Systems
	Heating Conversion Loan Program	Loans	Uses same funding as above	State Bonds	Homeowner	$4,000	Primary or Secondary Heating Systems
	Solar Energy & Energy Conservation Bank	Supplement to Fed. Program	$115,000	State Funds	Federal Program Participants	$1,250	Conserv. Measures Passive Solar Devices

State	Program Name	Program Type	Funding Level	Funding Source	Eligibility	Max. Benefit	Allowable Activities
HW	Conservation Credit	Tax Credit	N/A	Foregone State Income Tax Revenues*	Individual & Corp. Taxpayers	\$30	Water Heater System Insulation
IA	H.E.L.P.E.R.	Grants	\$207,509^2	Contributions	125% of Federal Poverty Level Guideline	\$250	Various Weatherization Activities
KS	KS Incentives for Residential Insulation	Tax Credit	N/A	Foregone State Income Tax Revenues*	Resid. Bldgs. (Pre-1977)	\$500	Home Insulation
ME	Weatherization Assistance Program	Supplement to Fed. Program	\$1,085,000	State General Funds	Federal Program Participants	N/A	Major Repairs
MD	Home & Energy Loan Program	Loans	\$600,000	State Bonds	Owner/Occupant	\$15,000	Energy Conserv. & Home Improve. Loans
MA	MHFA Rental Property Conservation Program	Loans	\$2,000,000	MHFA General Funds & Escrow Res. Accounts	Owner of MHFA Fin. Rental Property	\$40,000	Conserv. Measures
	Solar Energy & Energy Conservation Bank	Supplement to Fed. Program (grants)	\$1,250,000	State Funds	Federal Program Participants (175% of fed. poverty guide.)	\$1,250	Conserv. Measures
MI	Home Improvement Loan Program	Loans	N/A	State General Funds & State Bonds	Family Size & Income	\$15,000	Conserv. Measures & and Solar Devices
	Home Repair Weatherization Program	Grants	\$6,000,000	State General Funds	Public Assist. Recipients in Wayne County	\$5,000	Major Repairs
	Low Income Home Weatherization Program	Supplement to Fed. Program	\$4,000,000	State General Funds	Fed. Program Participants	N/A	Weatheri. Measures

State	Program Name	Program Type	Funding Level	Funding Source	Eligibility	Max. Benefit	Allowable Activities
MN	Home Energy Loan Program	Loans	Bond Sales[3]	State Bonds	Owner/Occupant	$5,000	Conserv. Measures
	Weatherization Assistance for Low Income Persons	Supplement to Fed. Program	$8,600,000	State Funds	Federal Program Participants	$1,000	Weatherization Measures
	Solar Energy & Energy Conservation Bank	Supplement to Fed. Program (grants)	$477,000[4]	Utility Company Grants	Federal Program Participants	$1,250	Conserv. Measures
NJ	Oil Heated Home Loan Program	Loans	$2,000,000	State Bonds	Income below $50,000	$3,000	Oil Conservation Measures
NY	Energy Conservation Bank	Supplement to Fed. Program	$3,356,000	State Funds	Federal Program Participants	$2,500	Conserv. Measures
OH	OH Credit for Qualifying Energy Systems	Tax Credit	N/A	Foregone State Income Tax Revenues*	Owner/Occupant	$65	Home & Conservation Improvements
OK	Weatherization Assistance Program	Supplement to Fed. Program	$27,500 (carryover)	Carryover of 1983 State Funds	Federal Program Participants	$1,200	Weatheri. Measures, Major Repairs
OR	State Home Oil Weatherization Prog.	Rebates, Loans, State Energy Audits	$400,000	State funds	Homeowner (income below 80% of area med. income for rebates)	Rebate- $1,218 Loan- $5,000	Weatheri. Measures
WI	Housing & Neighborhood Conservation Program	Loans	$34,311,774[5]	Tax-exempt Housing Bonds	Owner/Occupant Income Below Median Income	$15,000	Home and Conserv. Improvement

State	Program Name	Program Type	Funding Level	Funding Source	Eligibility	Max. Benefit	Allowable Activities
WY	Weatherization Assistance for Low-Income Persons	Supplement to Federal Program	$600,000	State Funds	Federal Program Participants	$1,400	Weatherization Measures

NOTES:

* Foregone income tax revenues result from conservation tax credit programs.

[1] Total state bond sales used in the Connecticut Energy Conservation Loan Program since its inception in 1979.

[2] Private funds obtained through utility, utility customers, utility employee, business, and corporate contributions: used in Iowa's H.E.L.P.E.R. program.

[3] Funding level varies depending on the amount of bonds sold and the current interest rate.

[4] Private funds obtained through grants from three utilities-used in Minnesota's Solar Energy and Energy Conservation Bank.

[5] Total state bond sales used in Wisconsin's Housing & Neighborhood Conservation Program since its inception in 1979.

Special Rates

By the late 1970s, many state regulatory authorities considered whether lifeline rates (rate reductions) should be implemented by electric and gas utilities. Some required utilities to offer lifeline rates on an experimental basis. In the Energy Program survey of 1979, 23 states were considering or had implemented 36 separate rate schedules to provide some level of reduction or discount. This included targeted rates, available to a specific class residential customers, as well as conservation or inverted rates designed for all residential customers. Subsequently, only seventeen states actually implemented the special rates.

By 1981 there were special rates offered in 13 states. Of those special rates, seven states targeted eight rate reductions for low income or elderly low-income residential customers. The states are: Massachusetts, Michigan, North Carolina, Rhode Island, Utah, West Virginia, and Wisconsin. Between 1981 and 1984, Utah's Senior Citizen Rate was struck down by the courts and legislation passed in Michigan eliminated lifeline rates in the state. Low income elderly continue to be the favored choice by utilities to receive a discount. However, only five states offered special senior rates in 1984 -- a reduction from the seven states in 1981.

In 1981, only Wisconsin had a targeted rate for low income households, regardless of age. By 1984, this increased to include the Twenty Percent Discount Rates Program offered by all utilities in West Virginia, an experimental lifeline rate by the Public Service Company of New Hampshire, and several SSI rates offered by Massachusett's utilities.

Targeted rates have increased since 1981 and experimentation continues. Three states -- Massachusetts, New Hampshire, and West Virginia -- have expanded or changed their targeted rates since 1981 and, as a result, provide interesting prototypes. Although the number of states with targeted rates has only increased by one, the number of utilities with special targeted rates has greatly increased. The statewide program in West Virginia and increased utility lifeline rates in Massachusetts are the main reason for this change. Both states have targeted lifeline rates in most or all of their utilities to help subsidize the cost of energy for specific low income groups. In 1981 no state was doing this -- only individual utilities.

TABLE 3-16

Number of States with Special Rates
By Type, 1979, 1981, and 1984*

	1979	1981	1984
Targeted Lifeline			
Senior Citizen	6	7	5
Low Income	2	1	4
Small Use Rates	0	3	5
Conservation/ Inverted Rates	8	2	6
Weatherized Homes Rate Reduction	1	2	2
TOTAL	17	15	22

* 1979 and 1981 figures are adjusted to reflect implemented programs. Non-targeted lifeline rates are included in the conservation/inverted rates category. Some states are counted more than once since they have more than one type of special rate.

The amount of discount offered is another important issue. In 1984, the number of states offering targeted lifeline rates with substantial discounts for eligible customers is still small. Only Massachusetts, West Virginia, and New Hampshire have lifeline rates that appear to save customers over $100 per year. Considering that in 39 states plus the District of Columbia, average home energy costs for low-income consumers exceeded $800, rate discounts of under $100 are not very substantial.

The PURPA focus on electric rates may be the reason few gas utilities have experimented with lifeline rates. Only in West Virginia, Wisconsin and Massachusetts were targeted lifeline rates identified that included gas utilities. This is an important observation since gas is a much more common heating source than electricity, especially in the cold weather states.

Data collected in the 1981 survey showed five of the 14 states covered had special rates designed to encourage conservation of energy. By 1984, small use or conservation rates are even more prevalent with 13 states representing this rate design strategy. North and South Carolina utilities continue to offer their own style of conservation rate design with discounts to households with securely weatherized homes. Inverted rates are now mandated for utilities in: California (gas and electric), Montana (gas, some electric), New Hampshire (electric), Vermont (electric), and Washington (electric). Rate restructuring will likely continue in this direction as more states move from declining block rate structures where greater quantities of energy consumed are priced lower. Rate design is still a viable form of energy assistance, although only a handful of states use rates in this manner. More common are inverted rates which give customers both the price incentive to use less energy, and help hold the cost of minimal service to a reasonable level.

TABLE 3-17

States with Special Rates By Type, 1979, 1981 and 1984

	Targeted Lifeline									Conservation/			Weatherization		
	Senior Citizen			Low Income			Small Use Rate			Inverted Rate**			Home Reduction		
State	1979	1981	1984	1979	1981	1984	1979	1981	1984	1979	1981	1984	1979	1981	1984
AL			X												
AR									X						
AZ												X			
CA										X	X	X			
DC										X					
GA										X					
IL								X	X						
IW	X							X	X						
ME				X											
MA	X	X	X			X				X					
MI	X	X								X					
MN								X	X	X					
MO										X					
MT												X			
NC	X	X	X										X	X	X
NH		X	X			X									
OK									X						
RI	X	X	X							X					
SC														X	X
UT	X	X													
VT												X			
WA												X			
WS				X	X	X									
WV		X				X									

* 1979 and 1981 figures are adjusted to reflect implemented programs. Non-targeted lifeline rates are included in the conservation/inverted rates category. Some states have more than one type of special rate.

** May not include all states with inverted rates.

The trends observed in 1981 concerning targeted rates as an energy assistance strategy hold true in 1984. Rates continue to be a very small part overall of energy assistance programs when compared to other tactics like direct assistance and weatherization/conservation programs. The trend is away from dealing with the problem through rates and toward dealing with it through these other means.

TABLE 3-18

SPECIAL RATE SCHEDULES FOR REGULATED UTILITIES -- 1979, 1981 & 1984

STATE	1979	1981	1984
ALABAMA			SSI (1982)
ARIZONA	Modified Lifeline		E-10 Conservation Rate**
ARKANSAS			Low Level Use Rate
CALIFORNIA	Lifeline	Lifeline	Baseline Rate
COLORADO	Gas Lifeline T		
GEORGIA	Rate Increase Exemption, Modified Lifeline		
ILLINOIS		Small-Use Rate	Small-Use Rate
IOWA	Senior Citizen Rate T	Small-Use Rate	Small-Use Rate
MAINE	Lifeline Demonstration T,		
MASSACHUSETTS	Rate Freeze Senior Citizen Rate T	Senior Citizen Rate T A-65 Rate	Senior Citizen and SSI Rates, All major utilities
MICHIGAN	Optional Senior Citizens Rate T	Optional Senior Citizens Rate T	Legislation prohibited rates, 1984
MINNESOTA	Rate Rollback Modified Lifeline & Service Charge	Conservation Rate Break	Conservation Rate Break
MISSOURI	Residential Rate Freeze Lifeline		
MONTANA			Gas Service Conservation Rate Inverted Electric Rate
NEW HAMPSHIRE		Lifeline	Non-Targeted Lifeline Rate** Targeted Lifeline Pilot Prog. Elderly Customer Rate*

STATE	1979	1981	1984
NEW YORK	Lifeline Experiment Energy Saving Incentive Rate		
NORTH CAROLINA	Residential Rate Freeze Residential Energy Conservation Rates T	SSI Rate T Energy Conservation Discount	SSI Rate T Energy Conservation Rate
OHIO	Senior Citizen Rate T		
OKLAHOMA			Low User 15% Discount Rate
RHODE ISLAND	Senior Citizen Rate T Freeze for Low Usage Customers	Senior Citizen Rate T	Senior Citizen Rate
SOUTH CAROLINA		Energy Conservation Rate	Energy Conservation Rate
UTAH	Senior Citizen Rate Lifeline T	Senior Citizen Rate T	Supreme Court Nullified
VERMONT			Residential Inverted Rate
WASHINGTON			Regular Residential Inverted Rate
WASHINGTON D.C.	Rate Freeze		
WEST VIRGINIA		SSI Rate T	Twenty Percent Discount Lifeline Program
WISCONSIN	Lifeline Welfare Rates	Lifeline Rate T	Lifeline Rate T

OTE: Many states now offer time-of-use or interruptable rate schedules for residential customers. Studies indicate these are most appropriate for large energy users -- like owners of all-electric homes. They may be an economical choice for some low income households, but are not a focus for energy assistance programs. Several examples are given, one each in Maryland, California, and Minnesota.

* The Public Service Company of New Hampshire has at least 35 special rates.
** Also gives a rate break to high energy users by offering rates in the third block at a lower rate than the second block of usage.

= Targeted
SI = Supplemental Security Income

THE FUTURE OF ENERGY ASSISTANCE

CHAPTER 4

THE FUTURE OF ENERGY ASSISTANCE

The role of the many stakeholders, including government in dealing with energy assistance strategies for the nation's poor will continue to evolve. Government-funded programs will remain the backbone for assistance. Others -- closer to the problems -- such as utilities, social service providers and local communities, will play a more important role as responsibility for program funding, development and administration shifts from the federal domain to the states.

The increased role of states will fall into three main areas: program development, legislation, and utility regulation. The uncertainty of federal program funding and the growing maturity of existing federal and state programs may provide the impetus for states to legislate energy assistance packages combining direct assistance, weatherization, and utility disconnection -- as Michigan did in 1983. Utilities are feeling both regulatory and public pressure to take a more active role. They will likely increase their community outreach efforts, support fuel funds, weatherization and conservation education activities. This will be most effective where there is strong, organized support at the local level and regulatory support at the state level. Baltimore and Philadelphia are two model communities with strong utility involvement. The role of utilities may be lessened in regions served by non-regulated utilities, or where oil/propane is the predominant heating source.

Federal Role

Federal funding for weatherization assistance programs is once again being closely scrutinized by the Reagan administration. The administration's 1986 budget request for the Department of Energy's Low Income Weatherization Assistance Program (LIWAP) calls for program reductions. In FY 1984, LIWAP was funded at $190.1 million -- a decrease of almost 20 percent. According to statistics cited in the Northeast-Midwest Institute's The Budget and the Region, $190.1 million would help weatherize only 148,000 homes. They cite Bureau of the Census and Department of Energy figures indicating approximately 12.6 million households are eligible for weatherization assistance. By FY 1986, approximately 1.5 million households will have been weatherized by the program. By using the proposed 1986 funding level, it would take 75 years to weatherize all eligible homes. In fact, if only $1,000 is spent per household, it will still take 23 years to weatherize homes of low-income households if $550.9 million is spent yearly. This represents the total of all state and federal weatherization funding sources identified in the survey. Administrative proposals also call for a five year phase-out of the LIWAP, and request next year's program to be funded from Oil Overcharge violation monies instead of general revenues.

Besides the DOE weatherization program, Housing and Urban Development's Solar Energy and Energy Conservation Bank faces possible elimination. This program addresses the need for rental property conservation improvements, and moderate income assistance, mainly through a variety of interest loan write-downs. The Residential Conservation Service (RCS) which mandates inexpensive home energy audits is likewise under Reagan administration attack. Since RCS requires all major utilities to offer energy audits at a modest cost, elimination of the requirement would likely undermine the role of utilities in energy conservation programs.

Even if the President's current budget for program funding reductions is rejected by Congress, pressure to reduce the federal deficit will continue, and reduction or elimination of federal energy assistance will be promoted. Advocates of weatherization programs will need to work harder and join forces to focus attention on the need for weatherizing the homes of the nation's low-income population.

The outlook for the Department of Health and Human Services LIHEAP program appears brighter than the weatherization programs. While funding has never approximated the original congressional legislation authorizing $3.1 billion in FY 1981, appropriations have increased almost 15 percent since 1981 from $1.85 billion to $2.1 billion for FY 1985 and FY 1986.

Even though LIHEAP funding appears secure for now, unmet need remains. According to a report published by the National Consumer Law Center, 1.6 million households suffered utility cutoffs for non-payment of bills in 1983, and preliminary 1984 figures place utility cutoffs at 1.8 million. The National Consumer Law Center found approximately 19 million households would be eligible for energy assistance if the LIHEAP maximum income criteria of 150 percent of the OMB poverty guidelines or 60 percent of the state median income were adopted by the states. However, states set more restrictive income guidelines and statistics gathered from state survey respondents for this report indicate that in FY 1984, 14.2 million households qualified for energy subsidies under implemented state income guidelines. Only 6.57 million households received regular heating benefits -- under half of those eligible. In summary, while energy prices have been allowed to rise during the past decade, overall income maintenance has been reduced.

State's Role

As the Reagan administration continues to try to reduce or eliminate federal low-income energy assistance programs (especially weatherization), states will be pressured to develop or enhance their own programs. In Chapter 2, policy options are described. Each state will need to decide, based on need and resources, the best ways to help low-income residents cope with rising energy bills.

Vigorous lobbying for a continuation of federal energy programs will proceed. However, a shift in funding may bring with it an opportunity to build effective state funded programs by making full use of state resources. States are in an excellent position to use resources like the social service agencies, community organizations, zoning and housing code laws, utilities, charity organizations, local governments, educational systems, and by involving other stakeholders in addressing state energy assistance needs.

More states are now tracking utility disconnections and statistics about payment troubled customers. Utilities are providing real help in defining the issues. This may be an opportune time for states to inventory energy assistance resources, especially from a policy options perspective. States may want to take a hard look at where energy assistance dollars are going and what is being accomplished. The Philadelphia Energy Poverty Study Group prepared a report in 1983 called The Home Heating Needs of Low-Income Households in Philadelphia: Dimensions of a Persistent Problem. It could serve as a model for this kind of fact-finding. While states have increased their own funding for direct assistance, weatherization and conservation since 1981, Oil Overcharge settlement monies offer the largest potential new funding source for states. As much as $3 billion may become available. Utility programs to weatherize homes (which are cost justified based on the value of conserved energy and thus paid for through the rate base), may provide the next largest funding source.

States like Ohio that already are strongly committed to energy assistance are in a unique position in the mid-1980's to make existing programs more effective and to ensure that energy assistance strategies are helping those for whom it was intended. The question posed at the beginning of this report -- who pays and who benefits? -- is eventually answered through a myriad of state policy decisions, whether intentional or not.

The remainder of this chapter summarizes strong energy assistance programs the survey identified in two states that may be of interest to others.

Comprehensive State Energy Assistance

Two cold weather states, Massachusetts and Michigan, have taken an especially comprehensive view of energy assistance. They have developed programs across the policy options board to aid low-income households. Their approach may reflect their location in the Northeast-Midwest regions where states are hardest hit by the increased cost of energy. Other state policymakers may find a multi-program approach to energy assistance needs applicable in their own states.

The features which are similar in both Michigan and Massachusetts are:

- Both states commit a comparatively large amount of state funds to their programs.
- Both states have taken a variety of approaches to energy assistance, not relying exclusively on any one program strategy to ease the problems of low-income energy users.
- Both states have targeted state funds to subsidize energy costs of specific low-income populations (e.g. elderly, unemployed).
- Both states have a history of providing assistance that precedes the 1974 oil embargo.
- Both states have the strong involvement of utilities; in Massachusetts utilities offer lifeline rates and weatherization assistance while utilities in Michigan played a key role in the development and passage of the multi-faceted Energy Assurance Program legislation in addition to providing weatherization assistance.

- Both states have strengthened overall energy assistance effectiveness by linking programs together. Clients learn about available programs from coordinated outreach efforts and multiple program application centers.

Massachusetts

State funds totaling $15 million are combined with over $78 million in federal LIHEAP funds to operate regular heating assistance programs. No funds are set aside for crisis intervention, and those who require emergency service make application directly to Low-income Heating Assistance Offices. A program called "One and Two" uses $2 million annually to provide a maximum of $325 to one or two person low-income households. This is especially geared towards the elderly and handicapped. Homebound clients are visited and application is taken at their residence. Direct assistance is also available in Massachusetts through a private non-profit corporation called Citizens Energy Corporation. They purchase low-cost oil or gas and then resell it to energy companies at existing pipeline average commodity cost, minus certain expenses. The difference between the two prices is applied to a Fuel Assistance Program fund which provides low-cost fuel to low-income residents.

Four major weatherization/conservation programs are available in the state. These are: the DOE Weatherization Assistance Program (WAP), the Solar Energy and Energy Conservation Bank, the Gas Utilities' Low Income Weatherization Program, and the Massachusetts Housing Finance Agency's Rental Property Conservation Loan Program. The WAP program uses an additional $4.9 million in LIHEAP funds to run the program to allow higher eligibility criteria and to allow for replacement of gas fired burners. WAP also runs another program called the Massachusetts Conservation Assistance Fund (MCAF) and uses its remaining $2.9 million LIHEAP money to fund it. MCAF has three components consisting of 1) a heating unit replacement and retrofit project, 2) a low-cost/no-cost weatherization materials distribution project, and 3) a consumer energy education project.

Another weatherization program is funded with $2 million from the Louisiana First Use Tax Case settlement. A fund was set up with this money by the Department of Public Utilities to provide low income weatherization assistance. Eligibility is based on federal income standards but the utilities have requested this be increased to 150 percent so more customers can be assisted. The DPU has recently standardized the kinds of assistance allowed.

Massachusett's Solar Energy and Energy Conservation Bank Program is divided into two separate programs. The first program combines $1.25 million in state funds and approximately half of the solar bank funds used for residential conservation grants. To qualify, applicants must be at or below 175% of the federal poverty level. Actual installation of conservation measures provided by the grants is administered by the same 26 CAAs that handle the Massachusetts Weatherization Assistance Program. The other half of the Solar Bank funds are used in a second program which offers residential and multi-family conservation loan subsidies through commercial banks. Applicants whose annual income is below 150% of the area median income can receive a partial subsidy and those who are below 50% of the area median income can receive a full $1,250 subsidy. Depending on one's income, interest can be reduced from 7½ to 0 percent based on a 15 percent market rate for loans. Some Oil Overcharge Funds are also used in this interest rate buydown.

The Massachusetts Housing Finance Agency (MHFA) has two types of energy loans available to owners of MHFA-financed rental properties which house predominantly low-income and moderate-income persons. One loan is carried out in conjunction with the non-profit Citizens Conservation Corporation (CCC). It uses escrow accounts and provides up to $150,000 per property or $1,500 per unit, whichever is less. Another provides $40,000 per property or $600 per unit, whichever is less. Both types of loans carry 9 percent interest rates. The rates may be subsidized down to 5% for qualified applicants. Over $200,000 in Oil Overcharge Funds pay for the program. Property owners are expected to repay their loans through CCC in payments equal to what the energy costs would have been had no improvements been made, with adjustments for changes in energy prices, weather and occupancy. CCC then pays the energy bills, and if funds remain it provides rebates to tenants, CCC, and part goes to a contingency fund.

The Massachusetts Department of Public Utilities has taken a strong initiative in mandating utility weatherization and conservation programs, rate design and disconnection of service rules. Massachusetts has set three conservation objectives in order to encourage low-cost utility service: 1) Implementation of conservation and load management programs and generation options that result in the lowest possible total cost of service in meeting customers' needs, 2) Using the marginal cost of providing service as a measure of cost-effective conservation investments, 3) Basing cost recovery for conservation and load management investments on the value of the energy and/or capacity saved. Given these objectives are met, the cost of conservation and load management activities can be included in a utility's cost of service.

Lifeline rates designed to provide lower bills primarily for low-income residential customers receiving Supplemental Security Income have been in existence in Massachusetts since approximately 1978. Eight of the state's utilities were identified as offering rate reductions for the first 300 to 375 KWH of usage or similar minimal amounts of gas. These targeted lifeline rates are subsidized by other rate payers. Massachusetts stands alone in the country in offering eligible customers subsidized rates through most of the state's regulated utilities. Other states have only one or two utilities with lifeline rates.

In the area of disconnection of service, proposed regulations (October, 1984) prohibit disconnection or refusal to restore service to customers certified as having a seriously ill occupant, child under 12 months, financial hardship or between November 15 and March 15 when the service provides or operates the customer's heating system. Customers who previously qualified for full assistance payments must be given until January 1 to re-qualify.

Overall, Massachusetts has committed substantial state resources for direct home energy assistance and weatherization/conservation grants and loans. The state has split Oil Overcharge Funds between two types of programs and built innovative programs. They target assistance to specify low-income populations and have provide a hospitable environment for not-for-profit organizations such as Citizens Energy Corporation. Finally, they encourage utility participation and allowed special targeted lifeline rate designs and winter shut-off protections for low-income households.

Michigan

Michigan is the first state to legislatively draw together all of the types of energy assistance offered through various state and federally funded programs. In 1983, the state's Public Service Commission (PSC) and three major utilities worked with legislators to develop the Energy Assurance Plan (EAP) to deal with unpaid bills. The main thrust of the EAP is to implement a comprehensive plan to assist high-fuel consuming welfare and other low-income clients deal with unpaid bills, to provide winter shut-off protection, and meet overall home repair/weatherization needs of low-income citizens. The initial EAP plan evolved into six pieces of legislation that were tie-barred together to form the entire package.

Michigan is, as far as this research has been able to tell, the only state in the country to attempt to legislatively mesh so many programs and approaches to energy assistance. The dilemma that Michigan's PSC and other state officials faced was to provide utility service to low-income people that cannot pay or alternatively, to shut off their service and have many face the prospect of freezing.

From the EAP legislation has come a Winter Shut-Off Protection Plan. EAP will guarantee shut-off protection if participants sign up for weatherization, agree to have the Department of Social Services (DSS) send a monthly heating allotment directly to the utility company, and agree to use no more energy than the maximum usage limits established. Senior citizens 65 and over are provided winter shut-off protection and exemptions from late payment fees and penalties. Unemployed participants enter a monthly budget plan 20 percent below normal budget plans for twelve months or until they are re-employed, whichever comes first. Finally, shut-off protection through the EAP establishes a program to provide information concerning payment plans, ways to save energy, and other resources available through the Michigan Employment Security Commission (MESC), utility companies, unions, and other service agencies.

Under the EAP a DSS Crisis Intervention Unit visits high-energy use households who are participating in the winter shut-off protection plan part of EAP. By weighing the cost of repairs against the energy reductions that will result, a maximum gas usage limit is set for which recipients may receive fuel payment assistance. More strict limits will be phased-in over a five year period. Subject to the available appropriation for each fiscal year, the annual assistance cap is expected to be reduced from 300 cubic feet in 1985 to 200 cubic feet in 1987-1988.

Excluding revenues generated from bond sales, Michigan puts more of its state funds into weatherization than any other state identified in the survey. Four million dollars goes into the Low Income Home Weatherization Program and about $6 million goes into the Home Repair Weatherization Program. An additional $6.7 million in state revenue bonds is used to reduce interest rates on a sliding scale for home improvement loans which includes conservation repairs or improvements.

The Home Repair Weatherization Program is designed to prepare houses which are in need of repair for weatherization assistance. Priority service is given to households with high heating bills, ADC and general assistance clients, targeted fuel assistance recipients, seniors, the disabled and Native Americans. An estimated $8 million in funds are used for major repairs which exceed the DOE maximum cost requirements for incidental repairs. A household can receive $5,000 for repairs or 50 percent of the home's market value, whichever is less. Once a house has been repaired, it usually receives weatherization through LIWAP. Over $29 million is spent on the state's Low Income Home Weatherization Program. This includes state, LIHEAP, Oil Overcharge and DOE funds. Households receive a maximum of $1,600 under this program.

Michigan's Home Heating Tax Credit Program spent $16 million in state and $27.5 million in LIHEAP funds to supplement home heating bills for 315,000 eligible households. A maximum of $502 was issued to households with incomes not exceeding $12,029 for a family of four. Elderly and handicapped recipients may claim two exemptions per person under this program.

Through Michigan's Heating Assistance Plan (HAP), several programs are managed. One program is the Emergency Needs Program, which is supported by $36.6 million in LIHEAP funds, is available to ADC, GA households and others not receiving help from the Department of Social Services. It provides emergency shut-off bill payments, home repairs, and emergency shelter. Persons on ADC and GA also get a special heating allowance through HAP. No application is necessary and categorically eligible households receive payments in January, February and March. A combination of LIHEAP, state and Title IV-A funds totaling $52.3 million were used to assist about 305,700 households. Another program, Targeted Fuel Assistance, helps low-income households who use over 12 percent of their annual income on heat. It used $3 million in LIHEAP funds and helped 16,500 households in 1984.

Whether Michigan is successful in making legislative intent for comprehensive energy assistance a reality remains to be seen. Indications are that, typically, weatherization services lag behind the easier direct assistance programs. Timelines for energy reductions may need to be adjusted. But their long view of a package of energy assistance programs designed to meet a package of needs may well be the state prototype to follow.

Other Innovative State Efforts

States have developed ingenious ways to make energy assistance programs work better by broadening the scope of allowable activities, expanding the target population or otherwise modifying programs and adding state funds to suit their specific state's needs. By referring to the directory, Energy Assistance Programs in the Fifty States, 1984 Survey Update additional innovative program ideas can be found. The other report, Disconnect Policies in the Fifty States, 1984 Survey provides summaries of state utility regulatory commission rules for disconnection and reconnection of service, especially as it affects low-income households. Some programs may only be suited to a particular state while others might be useful to other program administrators.

APPENDICES

SELECTED REFERENCES

Weatherization/Conservation

For additional references, please refer to the Publications List at the end of this report.

A Guide to: State Energy Assistance Office, 1984. American Association of Retired Persons, Washington, D.C., December 1983.

Dreese, Richard G. Final Report of the Energy Conservation Task Force. Office of the Consumers' Council, Columbus, Ohio. April 1983.

Freedberg, Michael and Hatfield, Anne. Financing Energy Conservation: What states and cities can do. The Conference on Alternative State and Local Policies, Washington, D.C. 1983.

The Conference on Alternative State and Local Policies, New Initiatives in Energy Legislation, A State to State Guide: 1981-1982. The Energy Project. Washington, D.C. 1982.

Stern, Paul C.; J. Stanley Black; Julie T. Elworth. Home Energy Conservation: Programs and Strategies for the 1980s. The Institute for Consumer Policy Research, Consumers Union Foundation, Mount Vernon, New York. 1981.

U.S. Department of Energy. Office of Conservation and Renewable Energy. DOE Third Annual Report on Financing, Supply and Installation Activities of Public Utilities in Connection With the Residential Conservation Service Program. Washington, D.C. 1984.

U.S. Department of Energy. Office of Conservation and Renewable Energy. Residential Conservation Service, Evaluation Report. Washington, D.C. January 1984.

U.S. Department of Energy. Office of Conservation and Renewable Energy. "Residential Conservation Service Program; Final Rule Amendments." Federal Register, Vol 47, No. 123, June 25, 1982, 27752-803.

U.S. Department of Energy. "Weatherization Assistance for Low-Income Persons." Fact Sheet, Washington, D.C. February 1984.

U.S. Department of Housing and Urban Development. Solar Energy and Energy Conservation Bank, Annual Report to Congress for the Fiscal Year Ended September 30, 1983.

U.S. Department of Energy. Office of Conservation and Renewable Energy. "Weatherization Assistance for Low-Income Persons; Final Rule." Federal Register, Vol. 49, No. 19, January 27,1984, 3624-38.

U.S. Department of Housing and Urban Development. "Solar Energy and Energy Conservation Bank," Information Sheet, Washington, D.C. March 1984.

U.S. Department of Housing and Urban Development, "Financial Assistance Programsm of the "Solar Energy and Energy Conservation Bank; Rules and Regulations." Federal Register, Vol. 49, No. 53, March 16, 1984.

Direct Assistance

Crude Oil Windfall Profit Tax Act, Pub. L. No. 96-223, Title III, Low Income Energy Assistance Program (LIEAP), 94 Stat. 229 (1980).

Manaster, Kenneth A. "Energy Equity for Poor: The Search for Fairness, in Federal Energy Assistance Policy." The Harvard Environmental Law Review, Volume 7, No. 2, 1983:371-427.

National Consumer Law Center Inc., with the Assistance of the Grier Parnership. "Cold -- Not by Choice, a State-by-State Analysis of the Impact of Energy Prices on the Poor, Elderly and the Unemployed." Washington, D.C., April, 1984.

Omnibus Budget Reconciliation Act, Pub. L. No. 97-35, Title XXVI Low Income Home Energy Assistance Program (LIHEAP) Stat. 902 (1981).

U.S. Department of Health and Human Services, Social Security Administration, Office of Family Assistance, Office of Energy Assistance. Low-Income Home Energy Assistance Information Memorandum, August 31, 1984.

U.S. Department of Health and Human Services, Social Security Administration, Offices of Family Assistance, Office of Energy Assistance. Low-Income Energy Assistance Program Report to Congress for Fiscal Year 1981, August 31, 1982.

U.S. Department of Health and Human Services, Social Security Administration, Office of Family Assistance, Office of Energy Assistance. Report on the Low Income Home Energy Assistance Program. Requested by the Senate Committee on Appropriations and the Committee on Appropriations of the House of Representatives. February 29, 1984.

Rates

See the Publications List located at the end of this directory.

Utility and Other Energy Assistance

American Gas Association, A.G.A. Gas Industry Manual on Fuel Subsidies and Innovative Energy Efficiency Programs, Arlington, Virginia, 1983.

Edison Electric Institute, Survey on Energy Assistance Funds, Washington, D.C., August, 1984.

Edison Electric Institute, Low and Fixed Income Energy Assistance Manual, Washington, D.C., January, 1985.

Illinois Commerce Commission. Utility Sponsored Conservation Programs: A Commission Investigation. Springfield, Illinois, February, 1984.

Massachusetts Department of Public Utility, Case No. 1720, "Rate Structure" and "Conservation and Load Management," Boston, Massachusetts, 1984.

McCormick, Joseph W., Florida Public Service Commission, Prefiled Testimony, U.S. House of Representatives, Subcommittee on Energy Conservation and the Poor, Washington, D.C., September 26, 1983.

Oregon Revised Statute 469.631 to 469.687, Residential Energy Conservation Act, Portland, Oregon, 1982.

Public Utility Commissioner of Oregon. Cost Effective Fuel Use and Resource Development. Staff Case. No. AR-112, August, 1984.

State of California, Energy Branch, Public Utilities Commission. 1983 Energy Conservation Program Summary, San Francisco, California, 1984.

State of Indiana, Public Service Commission of Indiana, 1984 Cause No. 37321, Loans for Residential Energy Conservation, Indianapolis, Indiana, January 1984.

General References

Energy/Poverty Study Group, The Home Heating Needs of Low-Income Households in Philadelphia: Dimensions of a Persistent Problem, Philadelphia, Pennsylvania, 1983.

Energy/Poverty Study Group, Meeting the Home Heating Needs of Low-Income Households in Philadelphia: Policy Recommendations, Philadelphia, Pennsylvania, 1984.

Eisenberg, Joel F.; Power, Meg; and Pfeffer, Jerry L.; "If the Poor Can't Pay," Public Power, September - October, 1983.

Hyman, Drew; Residential Utility Consumer Payment Problems: A Study of Customer, Company and PUC Interactions, Parts I - VII, The Community Development Program, College of Human Development, Pennsylvania State University, University Park, Pennsylvania, 1981.

Pennsylvania Public Utility Commission, Bureau of Consumer Services, Proposed Options for Dealing with Payment Troubled Customers, Harrisburg, Pennsylvania, October 1, 1984.

Pennsylvania Public Utility Commission, Bureau of Consumer Services, Utility Payment Problems: The Measurement and Evaluation of Responses to Customer Nonpayment, Harrisburg, Pennsylvania, October, 1983.

PUBLICATIONS LIST

Research Reports:

Available from the Energy Program, College of Urban Affairs, Cleveland State University, Cleveland, Ohio 44115, (216) 687-2206.

Energy Assistance Programs and Pricing Policies in the 50 States to Benefit Elderly, Disabled, or Low-Income Households, Executive Summary, (1979), 17 pp. $1.50.

Implications of PURPA's Section 114 for Energy Assistance Programs, (1980), 26 pp. $1.50.

Energy in the Eighties: What is the Local Role?, (1980), 23 pp. $1.50

Energy and the Poor: Alternative Non-Rate Structure Programs, (1981), 203 pp. $12.00.

The FY 1981 Low-Income Energy Assistance Program, Summary of Regional Conferences for Program Administrators, (1981), 62 pp. $5.00.

A Coordinated Approach to Energy Assistance, Part 1: Options for Ohio, Part II: Strategies for Ohio, (1982), 75 pp. $5.00.

Energy Assistance Programs in the 50 States: 1981 Survey Update, (1982), 110 pp. $7.50.

Disconnect Policies in the 50 States, 1984 Survey, (1985).

Energy Assistance Programs in the 50 States - 1984 Survey Update, (1985).

Trends Report of Energy Assistance Programs in the 50 States -- 1979-1984, (1985).

Available from other sources:

Energy Assistance Programs and Pricing Policies in the 50 States to Benefit Elderly, Disabled, or Low-Income Households, (1979), 326 pp. Stock No. 052-070-05145-1 from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. $5.50.

A Model for the Evaluation of Energy Assistance and Lifeline Programs, (1979), 126 pp. Report No. 79-26 from The National Regulatory Research Institute, 2130 Neil Avenue, Columbus, Ohio 43210. $7.25.

Lifeline Electric Rates and Alternative Approaches to the Problems of Low-Income Ratepayers, three volumes, (1980), 518 pp. Report No. DOe/RG/10066 from the National Technical Information Service, U.S. Department of Commerce, 5285 Port Royal Road, Springfield, Virginia 22161. $35.00.